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foreign trade

NADA

BUSINESS CONDITIONS in the COMMONWEALTH

CANADA

foreign trade

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cover To introduce our annual review of business conditions in the Commonwealth, our cover design includes six of our main imports from the Commonwealth, exclusive of the United Kingdom. From left to right, they are raw wool, jute, unrefined sugar (symbolized by the sugar cane), rubber, petroleum, and tea.

Canada's Trade Relations *with the Commonwealth*

Canadian trade with area marked in 1954 by smaller sales of wheat and larger sales of other products. Removal of import restrictions in many countries continuing; this should help Canadian exporters to take advantage of preferential tariffs.

R. B. NICKSON,
International Trade Relations Branch.

THE BRITISH COMMONWEALTH ranks as one of the world's principal trading areas; two of its members, the United Kingdom and Canada, in 1954 placed among the first four trading countries. The Commonwealth as a whole accounted for about 30 per cent of world trade and Canadian exports to the Commonwealth represented some 25 per cent of our total exports. To many primary and manufacturing industries in Canada, exports to the Commonwealth are vital in the maintenance of satisfactory production levels.

Canadian exports to all Commonwealth countries in 1954 fell somewhat below those of the previous year, primarily because emergency shipments of grains to India and Pakistan were reduced. Sales of wheat to Britain also dropped. Larger government-held stocks of wheat were disposed of in the United Kingdom last year and this tended to reduce imports. At present, exports of wheat to the United Kingdom are returning to more normal levels. Wheat was exported to India and Pakistan in 1953 in very large quantities to help meet severe shortages of food grains. In 1954 local production improved considerably and, as a result, imports resumed the more normal pattern. Neither India nor Pakistan provide continuing outlets for Canadian wheat because each buys only if and when the need arises.

Trade Pattern in '54

As the table on page 3 shows, exports of all products were only $50 million lower in 1954 than in 1953. Shipments of products other than wheat increased by $73 million. This indicates the extent to which Canadian exporters were able last year to take advantage of the more liberal licensing arrangements in many Commonwealth countries. These larger exports consisted principally of manufactured goods. The fact that Canadian producers were able to capture, in competition with other world suppliers, this significantly greater amount of business looks promising for the future of our exports to the Commonwealth.

The decline in Canadian imports from the Commonwealth in 1954 was entirely the result of lower imports from the United Kingdom. Textiles, particularly woollen textiles, and motor vehicles accounted for most of the smaller shipments from Britain. There were no significant changes in the pattern of imports from other Commonwealth countries.

Economic Conditions Favourable

The reports appearing in this issue reveal that economic conditions throughout the Commonwealth remain basically favourable. Resource and other economic development has assumed considerable importance as a factor in the continuance of satisfactory business conditions. Such development is also providing a broader base for the economies of many Commonwealth countries. Inflation, although it is under control in most of these countries, remains a threat to stable economic conditions. Levels of production have increased satisfactorily in recent months and unemployment has remained exceptionally low. One of the principal continuing problems in some Commonwealth countries is high industrial costs, which have resulted in local industries finding it difficult to compete against imported goods. The United Kingdom, on the other hand, has emerged in recent years as a strong competitor in world markets and has enhanced its traditional position as a principal supplier of manufactured goods.

Balance of Payments Position

The balance of payments of the sterling area improved during 1954. The area's gold and dollar reserves rose from $2,517 million at the end of 1953 to $3,017 million at the end of June 1954, and then declined to $2,762 million at the end of December 1954. This decline in the second half of 1954 resulted from payments made to the European Payments Union and the International Monetary Fund and on the line of credits extended (mainly in the immediate postwar years) to Britain by Canada and the United States. The dollar balance itself remained favourable during that period.

In 1955, however, the overall payments position of the United Kingdom and of the sterling area as a whole has deteriorated. This has been reflected in a reduced value for sterling and in a decline in the gold and dollar reserve by $81 million in January and February. This decline appears to have been caused primarily by a tendency towards inflation, leading to increased imports which were not accompanied by equivalent rises in exports. An adverse movement in the terms of trade of the United Kingdom also developed. Prices of such basic products as wool, cocoa and tin have fallen and this has meant smaller export earnings. In recent weeks the bank rate was raised in the United Kingdom and other compensatory anti-inflationary measures introduced.

The United Kingdom has, in recent years, reduced its quantitative restrictions to an important extent and this has, in many cases, led to the reduction or removal of discrimination against dollar goods. Similar liberalization measures have taken place in other sterling area countries, particularly in 1954. South Africa last year removed all discrimination against dollar goods and has since introduced other significant liberalization measures. New Zealand is now permitting the import of many products from Canada without restriction. Australia, Pakistan and India have taken similar action, although on a more limited scale. Despite these liberalization measures, important groups of Canadian products remain subject to discrimination in certain areas of the Commonwealth. A summary of the current import controls on dollar goods in the sterling area is given in this issue.

Canada exchanges preferential tariff treatment with the United Kingdom, the Republic of Ireland, Australia, New Zealand, Ceylon, the Union of South Africa, the Federation of Rhodesia and Nyasaland, and many British colonies, notably the British West Indies. Although a few preferences have been reduced or even eliminated as a result of the postwar tariff negotiations under the General Agreement on Tariffs and Trade, the major part of the preferential system remains intact. In recent years, while imports from the dollar area were subject to stringent discriminatory quantitative restrictions, Canadian exporters were not able to take full advantage of these preferential arrangements. However, as controls are being relaxed, preferences are once again being put to greater use and many Canadian exporters are benefiting from them in their trade.

Influence of Industrialization

As industrialization has moved forward in various Commonwealth countries, governments have been under greater pressure for more tariff protection. A number of representations for tariff increases are currently outstanding in several countries. Up to now, although increased protection has been given in many cases, it has been generally moderate in extent. Export possibilities for a few individual products have decreased, in varying degrees, as industrialization has proceeded. Nevertheless, total imports of the Commonwealth have increased greatly and this means a larger total market for Canadian goods in the Commonwealth than in the immediate postwar years.

On the whole, the prospects for Canadian trade with the Commonwealth appear promising. The extent to which Canadians take advantage of the more liberal import restrictions depends upon whether their products can compete and upon the initiative which individual exporters show in building up closer commercial connections. Exporters have been finding it profitable recently to take stock again of their trading position in the Commonwealth. In 1953 total sterling area imports from the dollar area amounted to $3·2 billion. This is a large and expanding market for Canadian products with great opportunities for profitable trade. ●

Canadian Trade with the Commonwealth

(in $000,000)

EXPORTS

	1954	*1953*
United Kingdom	653	665
Australia	46	40
British West Indies (including Bermuda)	41	40
Union of South Africa	40	51
India	18	37
New Zealand	15	7
Pakistan	9	32
Hong Kong	8	9
British West Africa	4	3
Federation of Rhodesia and Nyasaland	4	2
Other British countries	10	12
Total Exports to the Commonwealth	848	898

IMPORTS

	1954	*1953*
United Kingdom	393	453
British West Indies (including Bermuda)	53	42
India	28	27
Australia	25	23
Malaya and Singapore	20	22
British East Africa	16	9
Ceylon	13	14
New Zealand	7	9
Union of South Africa	6	5
Fiji	6	6
Other British countries	7	14
Total Imports from the Commonwealth	574	624

United Kingdom

R. P. BOWER, *Commercial Counsellor, London.*

BECAUSE OF THE IMPORTANCE of the United Kingdom as a great trading nation and as the centre of the sterling area, special interest attaches to the problems it has faced in recent years and to its success in solving them. The evidence of 1954 suggests that the postwar struggle to regain a position of influence and stability has been successful. The United Kingdom may not occupy the same dominating position it once held as a world power, but it enjoys today a level of prosperity never previously known. Unemployment is non-existent; production in volume and value is the highest ever attained; construction is booming; rationing and controls have virtually disappeared and, at the same time, resources have been found sufficient to push home consumption and exports to the highest levels in the country's history.

Production in 1954 climbed 5·8 per cent above the year before. The output of consumer durable goods has doubled since 1948, and that of manufacturing industry as a whole has risen by a third. Motor vehicle output in 1954 exceeded one million units for the first time in history, a rate twice as high as obtained in 1948. As in every year since 1948, the United Kingdom in 1954 surpassed the United States as a motor vehicle exporter. Nearly half a million British vehicles were sold abroad, almost twice as many as supplied by the United States. The output of the chemical industry has increased by 65 per cent since 1948 while the labour force has risen by only 18 per cent, representing an increase of 40 per cent in productivity.

Prolonged Struggle Necessary

Such goals were not achieved easily. The resources of the United Kingdom used in fighting the Second World War were equivalent to three full years of the nation's total production. The direct physical damage resulting from the war is estimated at $7·8 billion at 1950 prices. This includes bomb damage and the sinking of three-fifths of Britain's prewar merchant fleet.

To overcome such a handicap while continuing to face large military expenditure in the Middle East and Korea, as well as combating Mau Mau in Africa, has called for a gigantic effort.

A major problem at the war's end was to allocate the country's resources among the many pressing claims. Should new houses come before new schools, new roads before new office buildings or factories? How would the increased demand for electricity be met? Even with loans and gifts from the United States, Canada and elsewhere, it was apparent that priorities must be established and that resources must be husbanded and channelled into fields where need was considered greatest. New cinemas must wait for new factories.

Effect on Import Policy

Import policy provides a conspicuous example of these priorities at work. Because export earnings would take time to build up and because income from overseas investments and invisibles was much reduced, there were definite limits on how much the United Kingdom could afford to import. Control of imports was necessary to ensure that the limited foreign exchange available was used to buy essentials and not luxuries—iron ore instead of perfume.

It was perhaps natural that when the controls were imposed they should apply most rigorously in fields where the sterling area was best equipped to meet its own requirements. Dollars would be found for petroleum products but not for hosiery since adequate supplies were available from sterling area production.

The whole edifice of import controls was built around the principle of keeping out what was considered non-essential or was available in adequate volume from sterling sources. These are the criteria which have been employed with varying degrees of severity ever since the war whenever an importer in the United Kingdom applied for a licence to import from a dollar source. They have created a feeling of frustration among exporters in Canada and the United States who have been impatient to regain or develop sterling area

:hievements and prospects

Britain's postwar struggle to regain its former stability and influence has succeeded, says our London correspondent. But certain problems have emerged which suggest that further advance may be slow-paced.

markets for their wares and who either did not understand the reasons behind the policy or rejected the arguments on which it was based.

U.K. Interest in Freer Trade

It has been generally accepted in the United Kingdom, however, that in the long run the country had more to gain from a trading system that was world-wide than from one that was confined solely to the sterling area, or even from one that encompassed currencies other than the pound but did not include the dollar.

In conformity with this belief, the United Kingdom has been following a course of "creeping liberalization" of its dollar imports. This has taken two main channels:

- A more generous licensing policy under which a check-rein is kept on the quantities coming from dollar countries. Under this heading licences are sometimes issued on a basis which discriminates against dollar sources. Canadian cheese, for example, does not enter the United Kingdom as freely as cheese from Europe. At other times, licences are issued on a non-discriminatory basis. For example, United Kingdom pulp users are given a fixed allocation of foreign exchange which they can spend in any country they choose.

- The complete removal of all control over imports irrespective of source. This treatment, known as Open General Licence, or O.G.L., is best from the Canadian exporter's point of view. Nickel, asbestos and a number of other basic materials of interest to Canada now enjoy such treatment.

Once it is accepted that an item shall be imported, a decision must be taken as to whether dollar sources will be allowed to compete. If dollar sources are cheaper, they are likely to be favoured as a means of lowering costs and improving the competitive position of United Kingdom exporters in world markets. Where it is apparent that access to a dollar product is essential to enable a British industry to compete in export markets, licences will generally be issued. Sometimes the licence is conditional on a certain percentage of the import (or the product made from it) being exported. Synthetic rubber is a case in point. Licences have been issued for the import of Canadian butyl rubber because, without this material, British tire companies could not offer butyl inner tubes in world markets.

Another vital consideration is the probable dollar cost. If this is deemed likely to be excessive a decision may be made to withhold O.G.L. treatment and grant more commodious dollar quotas instead. The concessions to Canadian newsprint in 1954 illustrated this technique. They resulted in Canadian shipments rising to 222,300 tons from 151,600 tons in 1953.

What Will be Liberalized Next?

The important question to individual Canadian exporters is: "When will my products receive better treatment than they do now?" The foregoing comments will indicate the factors that will be taken into account. The pace of liberalization will depend largely on the confidence that the Government has in the ability of the sterling area to maintain or enlarge its gold and dollar reserves. It is estimated that half the United Kingdom's dollar imports were free of special restrictions at the end of 1954. It has also been estimated that the abolition of the remaining restrictions would cost about $400 million more in a full year. This would represent a 25 per cent increase on dollar purchases over 1954. Larger dollar imports of machinery, chemicals, newsprint, tobacco, wood pulp, motor cars and domestic appliances would be expected. In addition, whatever the United Kingdom did to liberalize dollar imports would certainly precipitate similar action by the other independent members of the sterling area and concessions to the dependent areas would also be inevitable. The United Kingdom authorities feel that the economy cannot afford complete freedom yet. They compare the anticipated $400 million additional annual expenditure for United Kingdom requirements alone with the $224 million by which the sterling area

gold and dollar reserves increased in 1954—and they elect to proceed with caution.

Changed Trade Pattern Likely

The war and developments since have wrought many changes in the United Kingdom market. Canadian firms which believe that only import restrictions prevent them from large and lucrative sales to the United Kingdom are likely to be disappointed. Behind the shield of import restrictions, industries have risen to meet public demand. Many of these industries are highly efficient. Some Canadian manufacturers find they cannot sell even the limited quantities allowed them under the United Kingdom Token Import Scheme. Others who never encountered competition from local firms in the days when they were free to sell in the United Kingdom now find well-designed and competitive British products meeting them in export markets all over the world. Washing machines typify the change that has come over the United Kingdom market. The number of hand-operated washing machines made and sold in the United Kingdom in 1954 was down to 14,000 from 100 thousand in 1948. At the same time the number of electric washing machines reached 500 thousand from 93,000 in 1948.

There can be no doubt that the abolition of all United Kingdom restrictions against dollar imports would be good for Canadian trade, but there is also no doubt that the pattern of this trade would be different from what it was when last it was free.

Let Canada "annex" West Indies – import fruit sell mfd goods)

Canada an Important Supplier

Even under the restricted opportunities of 1954, Canada was able to sell goods worth £273 million to the United Kingdom. This was a fall of £33 million compared with the year before but it was almost four times the £78·7 million achieved in 1938 and compares favourably with £217 million in 1948. The United States, with £283 million, was the only country to outdistance Canada as a supplier in 1954; in fact, she ousted Canada from first place. The outline of Canadian trade with the United Kingdom for the first nine months of 1954 which appeared in *Foreign Trade* for November 13, 1954, is confirmed by the year-end figures. In virtually all categories except cereal grains, Canadian sales to the United Kingdom were better in 1954 than in 1953. The closing months of the year revealed improved wheat shipments also which suggests that Canadian sales to Britain will be well maintained in 1955.

United Kingdom Outlook

The pace of trade liberalization in the United Kingdom depends so much on the continued strength of the British economy that the economic indices are watched with particular interest. The year 1954 was the best ever and industries' plans for expansion suggest that production in 1955 will be higher yet. The British Electricity Authority hopes to commission 1·55 million k.w. of new generating capacity in 1955; steel production is expected to rise by 5 per cent to 19½ million tons and chemicals by 10 per cent. A number of impressive expansion schemes announced by the automobile industry should begin to take effect in 1955.

These are encouraging developments but there are sobering influences as well. Import prices have been rising while export prices have remained stationary. High levels of production require a high level of raw material imports which must be paid for. The purchase of large tonnages of North American coal is a case in point. –15% April-1st/55

Australia which took £278 million of British goods in 1954 and was the United Kingdom's leading customer is facing exchange difficulties and may have to curb imports in 1955. German, Japanese, and dollar competition has intensified and, just when exports are most needed, competition is the keenest. The course of sterling area raw material prices has also been disappointing. Wool prices declined by 25 per cent between July and November 1954, cocoa fell by 25 per cent in the last half of the year, tin by 5 per cent, and sisal by 20 per cent. These losses were only partially offset by higher prices for tea and rubber. Labour unrest has been increasing; time lost through disputes in 1954 (2·47 million working days) was a postwar record. Wage increases granted in the year will add £3½ million to the weekly wage bill and interefere with export prices unless accompanied by a similar increase in productivity.

None of these developments is serious by itself, but they, and a recent weakness in the pound sterling in the world's money markets, are a constant reminder that great though the progress of the United Kingdom has been in recent years, it is not possible to relax the effort at this stage.

In such an atmosphere no sudden or dramatic removal of import restrictions against dollar goods is to be expected. The probable course is a continuation of the piecemeal dismantling of these controls at a pace which will not lead to any serious drain on the area's bank balance—the sterling area gold and dollar reserves.

Tour of Territory

C. O. R. ROUSSEAU, Assistant Commercial Secretary in Mexico City, will visit Monterrey late in March or early in April. Businessmen who would like Mr. Rousseau to undertake commissions for them in that city should get in touch with him as soon as possible.

NORTHERN IRELAND

Bad weather brought a poor harvest and exports of livestock and field crops declined. Abolition of controls and switch to free marketing brought farmers some problems. Shipbuilding holding up well, but orders for new tonnage decreasing; industrial development proceeding with government aid.

T. G. MAJOR, *Trade Commissioner, Belfast.*

ECONOMIC PROGRESS IN 1954 in Northern Ireland was, on the whole, reasonably satisfactory. The growing season was marked by low temperatures and excessive rainfall and exports of livestock and crops declined. The bad weather also affected the tourist industry. At the year's end, despite a rise in the labour force, the general problem of unemployment remained unsolved and efforts were made to enlist the assistance of the U.K. Government in finding an answer.

Shipbuilding continued at a brisk pace but there was an unfortunate drop in aircraft construction. The linen industry did not maintain the upward trend of 1953 although other branches of the textile trade showed greater activity. The budget position improved but the low rate of private investment is causing concern.

Agriculture Had Poor Season

Despite the increase in manufacturing, farming continues to be the principal industry of Northern Ireland. For the crop year 1953-54, gross output had a value of £89·25 million, compared with £83·5 million for the previous year.

The downward trend in the area devoted to tillage crops continued in 1954 when 30,630 fewer acres were under cultivation. On the other hand, the June census showed increases in the numbers of cattle, sheep and pigs. Exports of agricultural produce during the year had an estimated value of £56·9 million. Cold weather and excessive rainfall retarded growth early in the season and made the harvest one of the worst on record; much of the hay and grain crop remained in the fields and the potato crop suffered both in yield and quality.

Marketing Agricultural Products

Most agricultural controls were abolished in 1954 and replaced by free marketing. The transition period brought many difficulties and the Government of the United Kingdom found it necessary to make a grant of £500 thousand to assist the farmers of Northern Ireland in the marketing of their produce. This policy will be continued in future years, although the amount of the grant will be negotiated annually. Under an Act of the Northern Ireland Parliament the local government will formulate schemes for spending it. The first one will be the payment of a headage grant for fat cattle marketed during certain months; other projects are under consideration.

Flax acreage decreased from 18,042 acres in 1953 to 10,100 acres last year. Under the terms of the Flax Act 1952, a long-term marketing policy is provided for the crop. In any year in which the Ministry of Agriculture and the spinning trade are unable to reach an agreement for purchase of the entire crop, there will be no guarantee. Otherwise, the guarantee will take the form of assured prices to growers and the temporary purchase by the Ministry of any surplus flax. The subsidization of flax-growing in England is being discontinued after the harvesting of the 1955 crop and this may boost the demand for the Northern Ireland product.

In anticipation of the decontrol of milk in 1955, a marketing scheme is being put into effect. During 1954 Northern Ireland farms sold about 97 million gallons of milk, of which 36·5 million were used in liquid form. The quantity used for butter-making rose with the end of rationing from 13 to 31·5 million gallons. The Pig Marketing Board was reconstituted during the year in anticipation of a marketing scheme. A further 4,700 acres were acquired for reafforestation, bringing the total up to 71,400 acres. Minimum wages for adult farm workers were increased by seven shillings a week.

Linen and Other Textiles

The linen industry's position is still difficult despite strenuous efforts to increase sales abroad. The 1954 recession in the United States, the principal overseas customer, was reflected in a 12 per cent decline in purchases which was not quite counterbalanced by high sales to Australia and Hong Kong. The Canadian market was disappointing in that, despite population increases, purchases remained unchanged. In all, the postwar export average is only 44·4 million square yards compared with 57·9 million for the 1925-35 period. High costs of production and competition from synthetic fibres are blamed for the failure of linen sales to return to prewar levels. Efforts are being made to cut expenses by installing modern automatic machinery and adopting other more efficient methods, but the high cost of flax and of ocean freights cannot

be controlled. The swing towards the manufacture of other textiles noted in 1953 continued and was highlighted by the announcement that a synthetic fibre spinning mill is to be built at Coleraine. Production of materials from such fibres has almost reached the volume of linen.

Ships and Aircraft

Twelve ships totalling 145,920 gross tons were launched by the Harland and Wolff Ltd. shipyards in Belfast during 1954. These included two passenger ships of 29,614 and 21,700 tons respectively, tankers and cargo vessels. Although this is the fifth year in succession that figures like these have been attained the scarcity of orders and inquiries for new tonnage is causing concern in the industry, and is likely to bring a drop in employment in the yards. Foreign competitors are securing business by quoting lower and firmer prices and offering better credit terms and quicker deliveries. Marine diesel and steam-propelling machinery production totalled 222,765 I.H.P. last year. Harland and Wolff now has in hand or on order some 30 vessels, representing approximately 260 thousand gross tons, and its engine and repair shops are reasonably busy.

Extension of aircraft factory space continued during the year; a total of 233 thousand square feet is now available. However, the cessation of work on the *Comet*, and delays in developing the *Bristol Britannia* have resulted in a major setback from which the industry has not yet fully recovered.

Developments in Industry

The unemployment problem has forced the Government to redouble its efforts to provide more work by inducing outside firms to establish plants in the province and to assist in the re-equipment of existing factories. Some recent developments in Northern Ireland industry are:

- Additional space is being given a radio manufacturer at Larne which will permit doubling of production.
- A factory for the manufacture of tire fabric has opened at Londonderry.
- An American producer of oil-drilling equipment has taken over a government-built plant at Castlereagh.
- A factory being built at Bangor has been rented to a manufacturer of women's blouses.
- A plant is being built at Lisnaskea for an English spinner of sewing cotton and another at Irvinestown for a cotton spinning and weaving firm.
- Buildings are being erected at Portadown for a lace manufacturer and at Glenavy for an animal by-product firm.
- A plant for the production of electrical cable at Newcastle, and extensions to the cement works at Magheramorne, were opened during 1954.

The Re-Equipment of Industries Acts provide that schemes for assistance during the seven-year period ending May 17, 1957, must have been submitted before January 1, 1954. At the closing date a total of 408 schemes had been presented, covering expenditures amounting to nearly £22 million, £17 million of which were for plant and machinery. By May 17, 1954, 161 applications involving an expenditure of over £11 million had been approved and £1·39 million had actually been paid out in grants.

External Trade

The latest annual estimates of the external trade of Northern Ireland prepared by the Ministry of Commerce cover the year 1953. These show a total trade of £495 million, compared with £457 million in 1952, and a drop of £4·1 million in the trade deficit. Exports rose from £215·6 to £237 million and imports from £214·3 to £258·6 million. Direct shipments from Canada increased from £4,964,000 in 1952 to £8,141,000 in 1953. Indications are that the total volume of trade increased again during 1954, although there is a possibility that imports have risen more than have exports, as a result in some measure of the growth in the production of manufactured goods and the bad crop year.

Commonwealth Trade

In 1953, the Commonwealth countries, inclusive of the United Kingdom, accounted for 30 per cent of world trade, according to a study recently carried out by the Commonwealth Economic Committee. Breaking this down, Commonwealth countries contributed 29 per cent of world exports in that year by value, compared with 30 per cent in 1952, and absorbed 31 per cent of world imports, the same proportion as in the previous year. These figures ranked it slightly ahead of continental Europe as a trading area and considerably in advance of the United States, with roughly 19 per cent of world trade. Leading exporters among the Commonwealth countries were, in order of importance, the United Kingdom, Canada, the Colonial Territories, Australia, India, and the Union of South Africa. These countries ranked also as the leading importers, in that same order. The study was based upon seaborne trade only.

UNION of SOUTH AFRICA

Heavy influx of capital during year helped Union to pay for imports and add to reserves. Improvement in balance of payments permitted easing of import restrictions and Government expects to remove remaining ones gradually. Canadian exporters face competition from other suppliers.

HOWARD E. CAMPBELL, *Assistant Trade Commissioner, Johannesburg.*

BUSINESS ACTIVITY continued brisk in South Africa during 1954 and local businessmen feel optimistic about the months to come. Almost every section of the economy made progress and there are signs that this growth will be maintained.

The gold mining industry, for example, is still expanding. By opening up new mines in the Orange Free State, production was boosted to £164·5 million worth of gold in 1954, compared with £147·5 million in 1953.

Mineral Production

A unique feature of the gold mines in South Africa is that their ores contain uranium which can be extracted during the milling process. At the moment there are seven uranium extraction plants in operation and two more are under construction. In 1954 the value of uranium oxide recovered reached about £9 million and it is estimated that the annual gross revenue from this important by-product will eventually total £30 million.

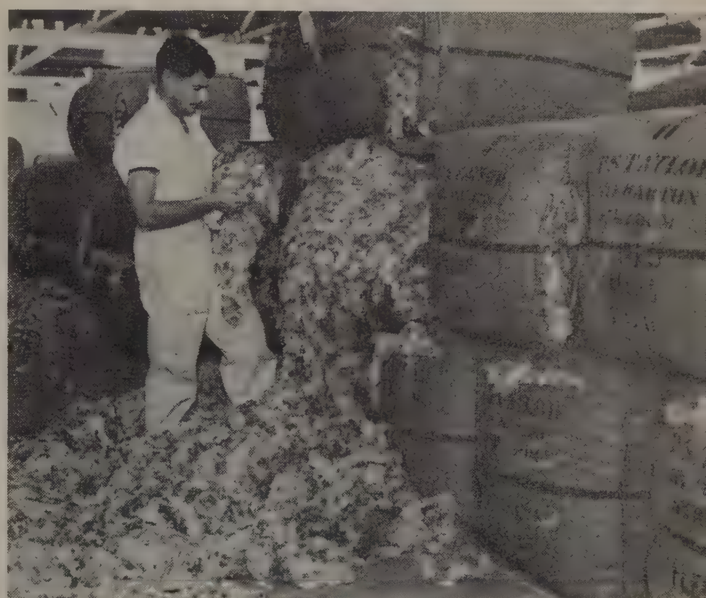
Production of other minerals was affected by a transportation crisis which developed during the second half of the year. Manganese and chrome mines suffered most. After stockpiling as much as they could, some were obliged to restrict operations because of the shortage of railway cars. As a result, manganese production fell by 139,473 tons to 772,866 tons, and chrome by 91,628 tons to 706,939 tons.

Despite the shortage of rail transportation, asbestos producers were able to expand output by 15 per cent to 109,052 tons and the coal mines boosted their production by 3 per cent to 32,314,241 tons.

Season Brought Good Crops

Despite drought in some areas, crops were better than average in 1954. A record 39,249,000 bags (weighing 200 lb. each) were gathered by maize farmers at harvest time. Sugar plantations in Natal surpassed all previous records by producing 813,300 tons of cane. Latest estimate for the wheat crop was 6,347,000 bags compared with 5,981,347 for the previous season.

Sheep farmers did as well as the tillers of soil. They were able to clip 268,300,000 lb. of wool (the heaviest weight since 1933) and obtained £64,221,000 from the sale of it. In 1953, they were more than satisfied with the £60·5 million they received for the 256,761,721 lb. of wool they produced and no complaints were voiced this season.



—South African Railways

This photograph shows the interior of a wool store at East London, Cape Province. The Union's wool clip in 1954 proved to be the heaviest since 1933 and brought record returns of over £64 million to growers.

Capital and Controls

Like most young countries, South Africa relies heavily on capital inflow to pay for its imports. In the first nine months of 1954 the net inflow of capital totalled £45 million, twice that of the corresponding period of 1953. This sharp rise enabled the Union to pay for the £440 million worth of goods it imported during 1954 and still retain a balance of some £55 million to add to its reserves.

This improvement in the Union's balance of payments prompted the Minister of Economic Affairs to express the hope that by 1956 import controls would be abolished. In preparation for the gradual removal of

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all restrictions, certain items were taken off the "prohibited list" of imports and manufacturers were permitted to bring in all the raw materials and capital equipment needed to bring their factories up to peak operating efficiency.

Despite the Government's efforts to strengthen the position of local manufacturers, many industrialists feel they cannot meet overseas competition when import restrictions are removed and have applied for increased tariff protection. By the end of the year the Board of Trade and Industries had received 130 applications for increased duties but so far it has only given protection to manufacturers of knitted clothing, yarns, hosiery, drapery and haberdashery, and certain cotton piece goods.

New Industry Established

Ever since South Africa found itself in exchange difficulties back in 1948, it has made efforts to reduce imports through the exploitation of natural resources. The biggest step taken in this direction is the erection of a government-sponsored project to extract oil from coal deposits lying 50 miles south of Johannesburg. By investing £32 million in the scheme, the Government hopes to save £7 million a year in foreign exchange.

Other exchange-saving projects are the expansion of the steelmaking capacity of the state-owned steel works to 1·3 million tons of ingot steel a year, increased afforestation (which reduced timber imports by roughly a million cubic feet in 1952 and 1953), erection of sulphuric acid plants at gold mines having pyritic ores, development of local phosphate deposits by a government corporation, and the opening of a £5 million ammonium nitrate plant just outside of Johannesburg.

Trade with Canada

During the year 1954 South African purchases from Canada declined to \$39·9 million compared with \$50·7 million in 1953. This drop was caused almost entirely by a falling off in automobile and wheat shipments to the Union. Canadian purchases from the Union in the first nine months of 1954 reached nearly \$5 million, compared with \$3·4 million in the first nine months of 1953. Chief commodities featured in this trade were Indian corn, raw sugar, diamonds, mineral substances n.o.p., wool, and wattle extract.

An increasing number of Canadian firms are finding it impossible to match the prices and deliveries of British and European suppliers to this market. Their plight appears to be the result of the devaluation of sterling and subsequent appreciation of the Canadian dollar and it will take a good deal of ingenuity and hard selling to overcome this handicap in the months ahead. ●

BRITISH EAST AFRICA

TERRORIST ACTIVITIES of the Mau Mau continued to disrupt commerce in Kenya during 1954, but by the end of the year it was evident that the security forces were gaining the upper hand. Attacks on loyal Kikuyu and white settlers became less frequent as each month passed and there were indications that the emergency would end before many more months went by, although isolated incidents are likely to occur for some time to come because of the terrain.

Efforts to stamp out lawlessness within the central portion of the Colony have cost between £1 million and £1¼ million a month. This tremendous expense has dissipated the Government's reserves and has forced it to ask the United Kingdom for £11 million to meet the cost of next year's campaign.

Agriculture and Mining

The disturbances in Kenya have affected adversely the development of British East Africa, but good crops and increased mineral production have kept the economy on an even keel. At the Kenya coffee auctions in Nairobi, sales for the season up to December 14th reached 1,296 tons with an overall average price of £567 a ton. Uganda's cotton crop was a record 365 thousand bales and fetched prices of upwards of 39 cents (Canadian) a pound. Production of sisal in Tanganyika proved slightly smaller than last year but the market was steady, with the price of No. 1 Grade remaining about £70 a ton c.i.f. London.

On April 29th, Her Majesty Queen Elizabeth II officially opened the Owen Falls hydro-electric scheme in Uganda. This project is expected to be completed by the end of 1956 and, when it is working to full capacity, will produce 150 thousand kw. Some of the power will be used to refine copper and cobalt from the Kilimbe mine in Western Uganda. Frobisher Limited of Canada is developing the mine and refinery with financial assistance from the Colonial Development Corporation and the Uganda Development Corporation. It will produce, when completed, an estimated 18 million pounds of copper and 900 thousand pounds of cobalt a year.

Trade with Canada

Dollar imports into the British East African territories are closely controlled by the United Kingdom and in 1954 Canada supplied only a small fraction of the total—goods to a value of \$375,191 for the twelve months. Principal commodities were aluminum in primary forms, automobiles and parts, farm equipment and parts, machinery and tools, and wheat and wheat flour.

The steady improvement in sterling reserves may soon make it possible for the British authorities to liberalize the dollar restrictions now in force in British East Africa. To ensure that Canadian exporters receive every assistance in re-entering this important market when controls are lifted, a Canadian Trade Commissioner office will be established in Salisbury in the near future.

HOWARD E. CAMPBELL,
Assistant Trade Commissioner, Johannesburg.

FEDERATION OF RHODESIA AND NYASALAND

Mining industry in Southern Rhodesia slack, but demand for Northern Rhodesia's copper continues strong. Canadian exports to Federation doubled in first nine months of 1954, the result of relaxation in restrictions on dollar goods.

HOWARD E. CAMPBELL, *Assistant Trade Commissioner, Johannesburg.*

COMPARED WITH THE boom conditions in Rhodesia and Nyasaland in 1952, today's trading seems dull. Three years ago the world demand for Southern Rhodesian chrome and asbestos was so great that many small mines started up; now they are no longer in operation.

Merchants in Southern Rhodesia still feel this decline in the mining industry. In Northern Rhodesia, however, the copper mines have experienced no reduction in demand. In fact, they are expanding so rapidly that the whole area is reminiscent of the Yukon gold rush days, with new mines and towns springing up all through the Copperbelt which borders the Belgian Congo.

Favourable Factors

Although businessmen in Southern Rhodesia say that business is not what it used to be, they are optimistic about the future for a number of reasons. They point out that the weather has been favourable for the past two years and record crops of tobacco, maize and cotton have been harvested. This windfall to the farming community should increase the demand for agricultural equipment and supplies in the months ahead. In addition, the Government of the Federation of Rhodesia and Nyasaland has announced its intention to spend £75·5 million on roads, bridges, communications, railways, hydro-electric projects, hospitals, schools and other public works during the next three years and local merchants look forward to supplying the materials needed for such projects.

At the present time the greatest obstacle to the Federation's future development is the shortage of power. To overcome this, the Government is planning to harness the waters of the Zambesi and Kafue Rivers which are capable of providing 1,400 megawatts of hydro-electric energy. The hydro-electric site on the Kafue River is located 30 miles south of Lusaka, Northern Rhodesia. According to a survey recently completed by two French engineers, 2·6 billion kilowatt hours (units) could be obtained from it at a cost of £55 million. The Kariba Gorge on the Zambesi

Nearly 58 per cent of Southern Rhodesia's European farmers concentrate on the growing of tobacco. More than 60 per cent of the output of flue-cured tobacco is sold in the U.K.

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River could be converted into a hydro-electric power station at a cost of £85·5 million and would deliver 6·5 billion kilowatt hours in the driest year. It is hoped that the International Bank will provide some of the capital needed for these schemes and the Federal Government will probably ask the Bank's opinion on which one should be built first.

Trade with Canada

During the first nine months of 1954 Rhodesia and Nyasaland imported over £1 million worth of Canadian products, compared with £500 thousand for the same period in 1953. Lumber, automobile parts and newsprint figured prominently in this trade. In addition, $725 thousand worth of Canadian wheat was shipped to the Central African territories as the year ended. This rise in Canadian sales resulted from relaxations in the import restrictions on dollar goods.

As part of the sterling area, the Federation is obliged to keep its dollar expenditures as low as possible. In 1954 additional goods were allowed in from dollar countries but enough hard currency remained at the end of the year to make possible a $56 million contribution to the sterling area reserves.

In all probability this contribution will be smaller in the years ahead and Canadian manufacturers should benefit. Plans are now being made for the establishment of a Canadian Trade Commissioner office in Salisbury to ensure that business opportunities resulting from relaxations in import restrictions in Central and British East Africa are fully exploited.

BRITISH WEST AFRICA

As substantial dollar earners, British West African colonies offer a promising long-term market to Canadian exporters. Sales in 1954 showed substantial increase, despite continued restrictions.

T. M. BURNS, *Assistant Commercial Secretary, London.*

CANADIAN EXPORTERS found 1954 their second best year in the British West African market. Total exports for the first eleven months of 1954 were valued at $3,964,000, substantially higher than the $2,474,000 recorded in the comparable period of 1953. The peak year was 1947, when Canadian sales were valued at $4,817,000.

Flour bulks largest in current Canadian exports to British West Africa, accounting for 92 per cent of the total in 1954. In addition, the Gold Coast bought soda and sodium compounds and automobile parts, Nigeria mining machinery, automobile parts, cars and trucks, and Sierra Leone canned salmon. As part of the sterling area, these colonies maintain restrictions on most imports from the dollar area. However, the movement towards trade liberalization in the United Kingdom and in other parts of the sterling area will undoubtedly be reflected in British West Africa and a somewhat greater variety of products should be purchased from Canada in 1955.

Long-Term Outlook Good

Although, in the short term, any sudden increase in the shipments of Canadian goods to British West Africa appears unlikely, the long-term outlook is good. Of the main British colonial areas, West Africa ranked second only to Malaya in the value of its exports and third in the value of its imports in 1953. The following table indicates the position:

British Colonial Areas—Imports and Exports, 1953

Area	*Imports* (in £ million)	*Exports* (in £ million)
Malaya	378·0	352·8
Hong Kong	242·4	170·4
West Africa	194·4	230·4
British West Indies	118·7	115·2
East Africa	105·3	92·6

More important from the Canadian trade standpoint is the fact that the BWA colonies earn substantial sums of dollars. In 1953, exports to dollar markets from the area totalled $112 million and imports were valued at only $26 million, leaving a dollar surplus of about $86 million. Cocoa shipments alone accounted for $78 million of this. The total 1954 figure should be even more favourable because of the high cocoa prices during the year. This dollar-earning capacity is important to the future of Canadian exports to the whole of the sterling area, because the earnings of this region go into the general sterling area reserves. Of the four colonies in British West Africa, the Gold Coast and Nigeria are by far the largest and most important.

More than 90 per cent of 1954 Canadian exports to the region went to these two colonies.

Gold Coast Conditions

In the Gold Coast, economic conditions have generally been good. In the 1953-54 cocoa crop year which ended in March 1954, only 205 thousand tons were harvested compared with 241 thousand tons in the previous year. However, the world price rose rapidly during the year and hit an all-time record of £550 per ton (about $1,485) early in the summer Although it declined to about $990 at the end of the year, the Gold Coast Cocoa Marketing Board, the sole export agency for the colony's crop, was able to maintain satisfactory revenues. The colony has a substantial problem in the "swollen shoot" disease which attacks the cocoa trees. Strenuous efforts are being made to control the area in which the disease is found and to eradicate it by cutting down and replacing infected trees.

The colony continued in 1954 the economic development which has been going on since the end of the war. The importance of this is illustrated by the latest statistics which show that gross capital formation in the Gold Coast in 1953 amounted to $43·5 million on government account and $32·7 million on private investment, a total of $76·2 million. Two large construction projects were begun in 1954; one is the construction of Tema harbour which will cost $20 million and take four years to complete; the other is a bridge over the Volta River with a main span of 685 feet. Both these projects will prove valuable should the Volta River aluminum scheme be approved. The Preparatory Commission investigating the project continued its work during 1954 and is expected to issue its report some time during 1955.

Nigeria Increases Exports

Economic conditions in Nigeria, with its more varied economy, were also good during 1954. Detailed statistics for the first six months of the year show that exports increased in value some $43 million over the corresponding period in 1953 and stood at $225 million. Most of this increase was accounted for by the rise in the world price for cocoa during the period.

The following table outlines the position of Nigeria's principal export commodities:

	Jan.-June 1954		*Jan.-June 1953*	
	Quantity (in tons)	*Value (in $ million)*	*Quantity (in tons)*	*Value (in $ million)*
Cocoa	67,206	69·4	70,254	43·2
Peanuts	212,854	42·1	176,099	38·3
Palm kernels	234,756	34·5	191,895	28·3
Peanut and palm oil....	89,589	15·4	100,785	20·2

Nigeria, with an area of 373 thousand square miles and a population of over 32 million, is the largest British dependent territory, but the exploiting of its many natural resources will require a long and expensive program of capital development. As the preceding table shows, Nigeria is a large agricultural producer. Its mineral resources include tin, columbite (an increasingly important component of special alloys), coal, and promising deposits of lead and zinc. There are also large-scale resources of timber, which are being worked commercially.

Capital Development

A Mission from the International Bank for Reconstruction and Development went to Nigeria at the request of its Government and that of the United Kingdom to survey the economy and recommend a five-year development plan. The Mission's report, published late in 1954, outlines an impressive program to strengthen agriculture, develop water and electric resources, assist in mining and industrial development, and broaden the transportation and communication facilities. To put this proposal into effect will require an increase in government expenditures from about $137 million at present to just under $270 million in 1959-60.

The increasing rate of capital investment in British West Africa for development projects will result in a steadily growing volume of imports, of capital equipment and supplies directly, and of other products indirectly. With the sterling area's gradual liberalization of imports from dollar countries, this region is likely to become a more interesting and valuable market for Canadian exporters.

South Africa Trades with Its Neighbours

South Africa's expanding trade with the neighbouring countries of South West Africa, Northern and Southern Rhodesia is characterized by a large and growing favourable balance. The aggregate trade value of £80 million in 1953 was dominated by the Union's exports to these countries valued at £60·1 million; during the first nine months of 1954, these exports contributed £47·5 million to the total trade of £65·3 million.

The Federation of Rhodesia and Nyasaland has begun negotiations to replace its former trade agreement with the Union. The leader of the Federation's delegation said: "With Federation has come the need to review our economic future and to establish our trading position in relation to other countries, and one of the most important is our trade relationship . . . with the Union of South Africa"—Johannesburg, Feb. 17.

INDIA

Faced by need to create 12 million new jobs to take care of an increasing population and solve unemployment, India is putting emphasis on industrial development. Year just past saw great strides made. As industry grows, pattern of import trade may change.

RICHARD GREW, *Commercial Counsellor, New Delhi.*

THOUGH INDIA* is commonly regarded as an underdeveloped country, it has made impressive industrial progress. In 1954, the pace of expansion was faster and industrial production higher than in any year since the partition of the country in 1947. The industrial index (1948=100) stood at 147·5 in August 1954 compared with 131·0 in August 1953. Only in one major industry—sugar—did output fall during the year. In some industries, in fact, it has already reached the target set for the end of the first Five Year Plan in March 1956.

Five types of manufacturing are far in the lead in India—jute goods, cotton textiles, steel, cement and sugar.

Jute Markets Good

The jute industry, located almost entirely in the Calcutta area, stepped up its output in 1954 to 949 thousand tons, an increase of 44,000 tons. Although 12½ per cent of the jute looms are still sealed off, working hours increased from 42½ to 45 in July and to 48 in October. The industry largely depends upon export markets which absorb approximately two-thirds of the production. Despite increasing competition, not only from jute mills recently established in other countries but from other packaging materials such as multi-walled paper bags, the export demand has stood up well. Exports averaged 68,000 tons per month from January to October inclusive, compared with a monthly average of 61,000 tons for the same period of the previous year. It is estimated that November exports totalled about 100 thousand tons, the highest monthly figure in the past six years. However, in order to be thoroughly competitive, it will be necessary in the coming years for the industry to instal modern equipment. Many units are already obsolete and considerable capital investment will be required.

Cotton Textile Manufacturing

In 1953 the production of mill-made cotton textiles achieved an all-time record of 4,879 million yards, but 1954 is expected to surpass this and be close to the 5,000 million mark which is the final target for the end of the first Five Year Plan. Production of cotton yarn also went up by 15 million pounds over the previous year to 4,950 million pounds.

The handloom cloth industry which has been unable to compete against mill-made varieties has received assistance in various ways, such as a levy on mill-made cloth which helps to subsidize the handloom industry, improvement of quality, and greater attention to more modern methods of marketing. As a result of these efforts, it has improved remarkably, with production going up from 1,300 million yards in 1953 to 1,450 million in 1954.

Throughout the year, the question of making the textile industry more efficient by the introduction of automatic looms has received wide public attention. The handloom operators oppose the idea strongly; so do the textile workers' unions and others who fear that this change will bring unemployment. However, since the change-over could not be completed within ten to fifteen years, loss of employment would be gradual and, if India continues to develop industrially, the problem would not be impossible to solve.

Expansion in Steel Industry

During 1953, a sector of the steel industry suffered from a prolonged strike. It was not repeated in 1954, with the result that production of finished steel increased by 200 thousand tons to 1¼ million tons. Production of pig iron amounted to 1,903,000 tons compared with 1,769,000 in the previous year.

At present, there are three components of the steel industry, all privately owned and operated. Each has plans to increase capacity so that by 1960 total production will reach nearly two million tons.

In addition, the Government of India is considering three different schemes for the establishment of three more steel plants, each with an eventual capacity of one million tons. The new units will all be government-owned and operated and it is intended that, by the end of the second Five Year Plan in 1960-61, total steel production will be between five and six million tons.

One unit is being undertaken by German interests and construction has already begun. The plant is to have

* For a review of general business conditions in India, see *Foreign Trade* of December 25, 1954.

a capacity of 500 thousand tons but provision has been made for this to be doubled. The second proposal calls for a one-million-ton plant to be erected by Russia. A preliminary agreement for this project has recently been signed. The third unit is expected to be undertaken by United Kingdom interests. This proposal is in the preliminary stages of discussion and no definite agreement has been reached.

Cement Output Increasing

The cement industry has continued to increase production and in 1954, it is estimated, 4·3 million tons were produced, an increase of over 500 thousand tons compared with the previous year. One reason for the rise was a new unit which came into production during the course of the year. There is every indication that cement output will continue to expand. At present, production can meet the demand but the demand is expected to grow as the result of the needs of hydro-electric developments as well as industrial expansion and the rise in ordinary requirements, which include a considerable housing development in all urban centres.

Sugar Production Down

In 1954, sugar was the only major industry in which production declined—output totalled 1·1 million tons compared with 1·3 million tons during the previous year. The production of sugar depends on factors over which the industry has little control. A minimum price has been fixed for cane used by crystal sugar factories whereas for cane used in the manufacture of gur (unrefined sugar and a cottage industry) no minimum price has been established. If the price of gur is high the farmer prefers to use his cane to produce gur rather than sell it to the sugar factories. Because of lower production, the Government imported about 700 thousand tons of sugar during 1954.

Engineering and Chemicals

In most engineering lines, production showed noticeable increases during 1954 compared with the previous year, with output of such products as woodscrews, razor blades, conduit pipe, welding electrodes, and machine screws showing an impressive rise.

One of the engineering industries in which production fell was motor vehicles which declined to 8,035 units in 1954 from 8,990 in the previous year. During the year, the two largest assemblers of vehicles as well as two other units withdrew from the Indian market as they did not consider it profitable to carry out a program of progressive manufacture in a market which cannot absorb more than 20,000 units of all types per year under existing conditions.

In the chemical field, there was general improvement: the only important chemical to register a decline was soda ash—from 56,000 tons in 1953 to 49,000 tons in 1954. The principal cause for this reduction was the closing down of an important unit for expansion and renovation. Other chemicals that India produces include caustic soda, bleaching powder, soap, liquid chlorine, sulphuric acid, superphosphate, ammonium sulphate, sodium sulphate, sodium bichromate and copper phosphate.

The paper and paperboard industry increased production to 145 thousand tons compared with 139 thousand during the previous year. During 1955, it is expected that newsprint will be turned out for the first time. A mill with an annual capacity of 30,000 tons is expected to go into production and when it reaches capacity, it will take care of approximately one-third of the present Indian requirements. The production of rayon yarn showed a slight advance while staple fibre acetate was made for the first time in 1954.

In the rubber industry, the number of automobile tires produced totalled 839 thousand, an increase of 72,000 over the previous year; production of bicycle tires amounted to 5·3 million as against 4·6 million for the previous year. Rubber footwear increased from 23·9 million pairs in 1953 to 29·8 million last year.

Plan Will Emphasize Industry

Although no definite plans have been laid for the second Five Year Plan which will begin in just over a year, the main emphasis will probably be on industrial expansion. For example, three fertilizer plants will be set up and lignite deposits in South India will be exploited. Present thinking is that 12 million new jobs will have to be created during the period of the Plan if unemployment is to be overcome. To sustain this additional industrial employment, a considerable investment in the agricultural sector will also be necessary. A total investment of approximately $2,000 million will be needed to meet the target of 12 million additional workers.

A good portion of this greater industrial activity will concentrate on the manufacture of products which have hitherto been imported. This is likely to affect the pattern of India's import trade, with the accent more and more on raw materials and semi-manufactured articles rather than on completely finished goods.

Trade Outlook

In the immediate future, no great changes are expected in the foreign trade of India. Some efforts have been made to liberalize imports, usually where domestic production has developed. Not infrequently in the liberalizing of control, the customs duty has been raised in order to protect the domestic industry. ●

PAKISTAN

Foreign exchange crisis in 1954 forced reduction of imports below country's normal needs. United States commodity aid, recently granted, will provide short-term relief. Import policy up to June 30, 1955, offers small opportunity for Canadian goods. Measures being taken to solve long-term problems.

R. K. THOMSON, *Commercial Secretary, Karachi.*

A SERIOUS SHORTAGE of foreign exchange has brought severe strains and stresses to Pakistan's vulnerable economy during the past several months. Exports are moving but are not attracting the foreign exchange returns of three years ago and imports have been reduced to less than the minimum requirements of the country. A serious shortage of all types of consumer goods has resulted and production of some industries has had to be curtailed because raw materials, machinery, equipment and spare parts are lacking.

The substantial decrease in trade can be seen in the table which gives the value of imports and exports over the past four years (Pakistan's trade and fiscal year runs from July 1 to June 30).

Trade and Fiscal Year	*Value of Exports Rs.**	*Value of Imports Rs.*
1950-51	2,553·4 million	1,622·1 million
1951-52	2,008·6 "	2,139·1 "
1952-53	1,509·8 "	1,351·6 "
1953-54	1,286·0 "	1,113·3 "

* One rupee=$0·29325 Canadian.

Fairly heavy imports, particularly of textiles, just before the Open General Licence system of importing was cancelled in 1952 have sustained local demand to some extent. Development programs of both government and private industry have strained available foreign exchange and domestic finances considerably.

During the shipping period July 1 to December 31, 1954, licences were issued sparingly and only for essential raw materials, capital equipment and consumer goods. It was apparent that the Pakistan Government was delaying the broadening of the import policy, which would mean larger foreign exchange commitments, in the hope of relief from sources other than normal export earnings.

U.S. Aid Supplied

In the summer of 1954 Pakistan requested economic assistance from the United States to meet the serious shortage of foreign exchange and in August and September a United States economic mission visited Pakistan. The details of the United States aid have now been announced. Commodity assistance in the amount of US$75 million will be given Pakistan over a period ending June 30, 1955. Of this, $35 million will consist of United States surplus agricultural products such as long-staple cotton, tobacco, wool, linseed oil, cottonseed oil, and tallow. The balance of $40 million will take the form of such commodities as iron and steel, non-ferrous metals, textiles, drugs and medicines, chemicals, sugar, petroleum products, commercial motor vehicles and parts, machinery spare parts, and airplanes and parts.

This assistance will ease Pakistan's foreign commitments but constitutes merely a short-term solution of the country's foreign exchange problems. With the United States commodity aid the Pakistan Government finds it possible to broaden the scope of normal import licensing to include a greater proportion of consumer goods. This may reduce domestic prices to some extent.

Import Policy Announced

The import policy for the shipping period January 1 to June 30, 1955, has reflected this valuable United States assistance and contains a wider variety of products than at any time during the past two or three years. Among the commodities licensed are the following: radios and parts, alcoholic drinks, refrigerators and parts, typewriters and parts, newsprint and paper, cheese, condensed and powdered milk, tires and tubes, artificial silk fabrics, automobiles, trucks and parts, tea chests, non-ferrous metals, chemicals and drugs, and dry batteries. Moreover, all items are licensable from any source including the dollar area although for certain commodities provision is made for continued supply from such countries as Italy, Germany, France and Japan with whom Pakistan has trade agreements covering specific products.

Unfortunately this new import licence policy does not offer much scope to Canadian manufacturers and exporters. Licences are issued to importers on the basis of their past performance as handlers of specific products which means that these importers will resume business with previous connections. In certain cases, import licences go only to sole agents for the products. Moreover, applications for import licences had to be in by January 11th which did not give Canadian exporters sufficient opportunity to make arrangements

to re-establish connections here. Despite the fact that this new import policy may appear liberal, licences are apparently being issued for very modest amounts and no substantial increase in import trade is expected. Our trade with Pakistan felt the pinch in 1954, with exports from Canada falling from $32·1 million in 1953 to $8·9 million in 1954, largely because of smaller purchases of wheat.

Other Measures Taken

Pakistan has endeavoured to ease the strain on its foreign exchange reserves by other means as well. For over a year a scheme of deferred payment applying to imported capital goods has been in effect. Under this scheme the industrial purchaser of capital equipment makes rupee payment in full to the State Bank of Pakistan and the Bank releases foreign exchange to the foreign supplier over a period of five years. In this way, a substantial amount of machinery, mainly

Vegetable market in Karachi, with prospective buyers inspecting the produce. Pakistan raises a variety of crops—in normal years, enough to feed its own population.

for the textile industry, has been supplied to Pakistan —principally by Japan and, to a lesser extent, by the United Kingdom and Western Germany.

In addition, the Pakistan Government has attempted to arrange with local representatives and agents of foreign suppliers for the supply of certain raw materials and other commodities on an 18-month deferred payment plan. Foreign suppliers have not received these proposals with marked enthusiasm, it is understood, but for at least one commodity, iron and steel, these payment arrangements have been accepted.

All this underlines Pakistan's acute foreign exchange position. It is unfortunate at a time when the country's development needs are great. Foreign aid from the United States, Canada, Australia, New Zealand and the United Kingdom, though warmly appreciated and urgently needed, can meet but a portion of the plant and machinery and other needs implicit in Pakistan's development plans.

Solutions for Problem

The situation can only be resolved by the continued restriction of imports, by an increase in the tempo of foreign aid, by a rise in the foreign exchange earnings from the principal exports, jute and cotton, or by savings in foreign exchange resulting from increased domestic production of new industries. It is evident to the Government that the severe import restrictions of the past two years must be eased to some extent. However, increased foreign exchange earnings on any large scale from the export of jute and cotton, and possibly from tea, wool, hides and skins, are not considered probable.

Manufactured jute products are beginning to find their way into world markets and domestic wool and cotton textile production has increased tremendously, yet neither will provide relief in the form of foreign exchange earnings or foreign exchange savings sufficient to lighten the current burden. Other major projects, such as the piping of natural gas to industrial centres and the exploitation of known iron ore reserves, promise some help for the future.

A number of new industrial projects sponsored by the Government have begun operations or will come into production during 1955. Early this month a caustic soda factory and a DDT factory were opened. The caustic soda factory will produce 10 tons of caustic soda and 8·5 tons of chlorine per day; the DDT plant will produce 7,000 tons of pure DDT per year as well as other chemicals. A new sugar factory has begun operation and later this year a high-grade paper and board mill and two cement factories will start producing. By the end of the year more jute mills will be operating, bringing the total number of looms to 6,000 and production to over 200 thousand tons of jute manufactures per year.

Pakistan's foreign exchange position is closely linked with the export of cotton and jute which provide approximately 85 per cent of her foreign exchange earnings. At the present time cotton is creating a difficult problem with exports at less than half the level of last year. This is due to the fact that Pakistan's cotton prices are above world parity and the current crop will not move until prices resume a more reasonable level. Her jute has been fetching a higher price and it seems possible that there will be no carry-over at the end of the jute year and that foreign exchange

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earnings from jute will be somewhat higher than during the past year. It is understood that the Government will permit increased production for the next jute year.

Recent political changes in Pakistan may tighten up the administration and provide a better climate in which to plan economic progress. The Government has decided to encourage foreign investors by permitting foreign participation of up to 60 per cent of the total investment in approved industries compared with 49 per cent previously. In addition, facilities for repatriation of capital have been increased.

The Outlook

It is difficult to predict future economic and trade trends in Pakistan without sounding pessimistic. The present unfavourable foreign exchange situation cannot be overcome within the foreseeable future and the continuance of restricted imports will be necessary despite valuable assistance from the United States and other countries. Canadian exporters, particularly of machinery, industrial raw materials, and essential consumer goods, may find from time to time modest opportunity to resume trade links with this country; whether imports will continue to be permitted from the dollar area will depend on the extent of future commodity aid from the United States. The development and establishment of industry, the expansion of electrical supply schemes and irrigation, and increased agricultural production should all eventually ease the economic strain. Progress will be slow and measured by the amount of foreign machinery, equipment and technical assistance which Pakistan can afford with foreign exchange available from export earnings, from foreign capital investment, from the foreign aid programs of the United States, Canada and other countries, and from international agencies.

CEYLON

Rigid import restrictions, plus rising sales of tea in foreign markets and good prices received for rubber, brought Ceylon a favourable trade balance last year. Import policy worked against exports from Canada, though certain Canadian products were in greater demand than in 1953.

J. J. HURLEY, *High Commissioner for Canada, Colombo.*

THE YEAR 1954 saw a marked improvement in Ceylon's foreign trade largely because the Government continued to curtail severely the purchase of non-essential goods. This, plus the buoyant tea market and the higher prices China paid for Ceylonese rubber, were mainly responsible for turning the adverse trade balance of Rs.42 million in 1953 into a favourable one of nearly Rs.412 million in 1954. Then too the country took more effective measures to live within its means. The Government concentrated its development expenditures chiefly on agriculture.

Trading Arrangements Made

The China pact was renewed during the year after hard bargaining on terms favourable to Ceylon. The delegation which visited China also crossed over to Japan with the idea of negotiating the sale of surplus Ceylonese rice but was not too successful. Ceylon also had visits from a Czechoslovakian trade official and a Thai trade delegation which offered rice and hardwood railway ties in return for coir rope and other local produce. A two-man delegation from Japan arrived to discuss the question of Japanese industrialists helping Ceylon to organize Japan-Ceylon industrial ventures. As a result, the establishment of a fishing corporation for fish canning, etc., is now under way. Ceylon was on the point of losing its Egyptian market for tea because of a ban which Egypt imposed. The situation was saved by concluding a bilateral trade pact, whereby Egypt agreed to import Ceylon tea without restrictions and Ceylon agreed to buy more cotton, cement, textiles, phosphates, potatoes and garlic from Egypt.

Foreign Trade Picture

Ceylon's imports for 1954 fell by Rs.210 million, compared with the previous year's total of Rs.1,607 million. For Commonwealth countries the decrease totalled Rs.203 million and for others Rs.7 million. Increased purchases over the 1953 figures were recorded for Belgium Rs.25 million, Indonesia Rs.5 million, Iran Rs.10 million, Japan Rs.7 million and Thailand Rs.7 million. Imports from the United Kingdom declined by Rs.66 million, from Australia Rs.69 million, Canada Rs.4 million, India Rs.9 million, China Rs.51 million, United States Rs.16 million, France Rs.4 million, the Netherlands Rs.5 million and Italy Rs.4 million.

Exports in 1954 totalled Rs.1,714 million compared with Rs.1,485 million for 1953, an increase of Rs.229 million. The United Kingdom benefited most from this

increase, followed by Australia, Egypt and India. Exports to the Netherlands, China and Canada showed the largest declines.

Naturally enough, food products come first on the import list. Grain and flour imports were valued at Rs.396 million compared with Rs.521 million the previous year—a decline resulting from the step-up in local production and from the stocks of rice left over from 1953. Other principal imports included other foodstuffs, down by Rs.2 million, textiles by Rs.16 million, and vehicles by Rs.28 million. Increases were recorded for manufactures of wood and timber of Rs.8 million, chemicals and drugs Rs.5 million and paper Rs.2 million.

Tea, Coconut, Rubber

Once again Ceylon's three economic stand-bys—tea, coconut and rubber—were the principal money-earners.

TEA—It is not only as her chief export that tea is important to Ceylon's economy. A fair proportion of government revenue comes both directly and indirectly from the tea industry—directly in the form of export duties and indirectly as taxes on incomes and profits. The rate of export duty rose during the year and at the end of 1954 stood at Rs.1.00 per pound of exported tea compared with only 0.45 cents at the end of 1953.

Ceylon's tea production for 1954 set an all-time record. According to provisional figures, Ceylon produced about 366 million pounds in 1954, nearly 23 million pounds over 1953, which was itself a record. Credit for this increase goes to the Tea Research Institute for its excellent work in the control of "blister blight". Ceylon's tea exports in 1953 totalled 335·5 million pounds valued at Rs.825 million; in 1954 the figures were 361·2 million pounds valued at Rs.1,112·8 million. The price of tea has been rising steadily during the year; the average prices for the three varieties—high-grown, medium and low-grown—being Rs.3.55, Rs.3.16 and Rs.3.26 in 1954 against Rs.2.32, Rs.2.14 and Rs.2.14 respectively for 1953.

COCONUT—Of the three major agricultural industries in Ceylon, tea and rubber may individually account for a greater share of the country's foreign earnings and the national income, but neither of them enters so intimately into the economic and social life of the population as does the coconut. Only half of the total production is exported; the remainder represents domestic consumption.

The price of coconut products declined during the year and production too fell off. There has been a drop in the export of coconut oil perhaps due to increasing competition from substitute edible oils. Canada proved a good market for coconut oil in 1953, importing Rs.22 million worth, but in 1954 the figure dwindled to Rs.7·5 million. The total value of coconut products exported in 1953 amounted to Rs.270 million, but during 1954 fell to Rs.240·5 million. The price of coconut oil came down from Rs.1,357 per ton in 1953 to Rs.1,050 per ton in 1954; copra declined from Rs.217 per candy to Rs.167 and desiccated coconut from 0.52 cents per pound to 0.40 cents.

RUBBER—Rubber has been fairly stable because of the pact with China but competition from synthetics is more evident and the need for replanting has to be considered seriously. Production in 1954 fell off slightly in comparison with the previous year and so did the world price during the first eleven months. Exports of rubber in all forms during the year reached 209·35 million pounds valued at Rs.285·5 million. A subsidized rubber replanting scheme has been promoted by the Government and is having a good effect, but this is a long-term program and few results will be evident for some years to come.

Import Controls Continue

To build up Ceylon's dollar reserves and to improve the sterling area's balance of payments position with the dollar and EPU countries, and to implement the Government's policy of Ceylonization, import and exchange controls have been retained and these restrict trade with the dollar area. Although Ceylon enjoys a favourable balance of trade with many of the dollar countries, she cannot buy more from them in view of this situation, which bids fair to continue for some time.

Towards the end of the year, however, the import duty on machinery essential for new industries was reduced. Under the preferential tariff it came down from 17½ per cent to 2½ per cent; the general rate fell from 27½ per cent to 12½ per cent. The increase in duty on motor vehicles immediately after the introduction of the Budget in July 1954 resulted in a decline in imports from all sources. The total number of motor vehicles registered during 1954 was 6,193 compared with 8,530 in 1953.

Trade with Canada Affected

Because of these restrictions on a variety of consumer goods from dollar countries, Canada's exports to Ceylon, which amounted to Rs.16·6 million in 1953, declined to Rs.12·4 million in 1954, a fall of approximately 25 per cent compared with the previous year. The main products figuring in this decline were flour, imports of which fell off from Rs.5,714,920 to Rs.3,266,382; cereal foods, Rs.134,117 to Rs.54,150; frozen fish, Rs.17,103 to nil; railway sleepers from Rs.159,659 to nil; clocks from Rs.192,537 to Rs.90,798; office equipment from Rs.62,015 to Rs.51,554 and agricultural machinery from Rs.8,995 to Rs.6,248.

97686—3½

Fortunately, in view of these declines, Ceylon bought larger quantities of certain other Canadian products. Among them were the following:

	1954 Value in Rs.	1953 Value in Rs.	Increase '54 over '53
Newsprint	3,261,123	2,638,472	622,651
Milkfoods	2,050,624	1,581,852	468,772
Spares for motor vehicles	911,953	639,076	272,877
Sulphur	554,448	26,944	527,504
Tires and tubes	453,784	183,856	269,928
Motor vehicles	340,164	300,991	39,173
Printing paper	328,507	61,006	267,501
Tinned fish	158,010	65,531	92,479
Drugs and medicines	62,105	40,328	21,777
Electrical machinery	57,028	35,944	21,084
Other machinery	51,205	9,833	41,372
Refrigerating machinery	9,204	2,480	6,724

A few items have altogether disappeared from the list of exports, but there are new items, such as fruits (fresh apples), pumping machinery, fishing nets and gums and resins.

Total exports to Canada from Ceylon amounted in 1953 to Rs.80 million; during 1954 they fell to Rs.70 million. Tea exports rose from Rs.46 million to Rs.54 million, rubber declined from Rs.5·5 million to Rs.3·5 million, and desiccated coconut more or less maintained the same pace. Coconut oil, of course, fell off.

In common with other countries in this part of the world, the staple diet in Ceylon is rice. With rice plentiful and with the domestic production of flour increasing, it is unlikely that the demand for Canadian flour will rise in the future. The curtailment of import expenditure by the Ceylon Government and the severe restrictions on dollar imports will naturally restrict trade with Canada during the ensuing year to essential goods not available from sterling countries. In short, purchases from Canada will represent "opportune buying" for some time to come. The future, therefore, is not bright, but imports of Canadian newsprint, milkfoods, tinned fish, sulphur and a few other regular items will continue.

MALAYA

Rising rubber prices during the latter half of the year boosted production; tin output reached a record. Though total foreign trade fell slightly below that of 1953, exports from Canada increased about 10 per cent, with flour well in the lead.

D. S. ARMSTRONG, *Trade Commissioner, Singapore.*

IF A BUSINESSMAN could buy his requirements on a falling market and sell his wares on a rising market, he would consider himself fortunate. This, in a sense, is the position of Malaya at the beginning of 1955. With a surplus of rice in producing countries, there is every indication that the price will fall—and Malaya is a large rice importer. Rubber, the country's number one export, rose from 57 Malayan cents per pound at the beginning of 1954 to M$1.00 per pound at the start of 1955.

Production in Malaya's basic industries in addition to rubber and tin was somewhat above average in 1954. Palm oil, copra and tea production set postwar records. Rice, pineapple and timber output were only slightly below the highest annual figures. Iron ore production at 1¼ million tons climbed 20 per cent above the previous postwar record year; so did bauxite, in spite of a serious drop in output during the second quarter.

The 1954 movement of ships through the port of Singapore was greater than in 1953 by 10 per cent both in number and in tonnage loaded and unloaded. There was a negligible drop in the cost of living and statistics of banks' operations showed little change. All things considered, Malaya had a good year although it cannot be compared with 1951 when the boom caused by the Korean war was at its height.

Rice Trade Decontrolled

Singapore and Malaya, with a population of seven to eight million, import some 500 thousand tons of rice a year to supplement the 400 thousand tons grown locally. (By comparison Canada consumes 35,000 tons per year.) For nine years it has been necessary to buy rice on a government-to-government contract basis and to control distribution and resale prices. On January 1, 1955, virtually all controls were abandoned; importing and distribution have been returned to private enterprise. Thailand, the major supplier of rice for the British territories in South East Asia, also handed the rice trade back to commercial firms, the only government controls being a licence fee and surrender of a portion of foreign exchange earnings at official (low) rates. With a world rice surplus estimated at 1·5 million tons, importing countries, includ-

ing Singapore and Malaya, can look forward to lower prices for the first time since World War II.

Rubber Market Turns Upward

The year 1954 opened in an atmosphere of deep gloom for the Singapore rubber traders and business community generally. The price of rubber was lower than it had been since 1949 and the question most commonly asked was what will happen when rubber goes below 50 Malayan cents a pound? Instead of declining further it rose steadily and on the last day of the year it reached M$1.00. Because the economic welfare of the country depends so heavily on natural rubber this, in the Malayan sense, is more important than a stock market index breaking through a ceiling.

With high prices as the incentive, production increased by nearly 11,000 tons to 584,434 tons in 1954. Exports, at 915,114 tons including re-exports from neighbouring countries, were also higher than in 1953 by 68,000 tons.

At the invitation of the Malayan Government, a mission headed by Sir Francis Mudie examined and reported on the problems and future of the natural rubber industry. With the advent of synthetic, natural rubber has lost its dominant position in the world. To regain competitiveness, the industry must cut production costs and become more efficient. This can best be done by replanting with high-yielding trees with an output of 1,600 pounds per acre compared with the present average of 400 pounds per acre. But replanting requires additional long-term capital investment at a time when risks are great and profits are not too attractive; a rubber tree takes seven years to mature.

Record Tin Production

Malaya's tin production of 60,690 tons during 1954 broke all previous postwar records. During the year the price of tin on world markets fluctuated little. It is still not certain that the International Tin Agreement will be ratified by the necessary number of countries; the Agreement implies controlled production and a 25,000-ton buffer stock to keep price fluctuations within defined limits. Both the Malayan Government and the industry feel that stability is necessary for long-term economic welfare and there is almost unanimous support for the Agreement.

Trade, Foreign and Entrepôt

Turning to Malaya's foreign trade, both total imports and total exports are likely to be slightly lower than in 1953 when final figures are collated and there will be a small adverse balance of trade. If it were not for the increase in the value and volume of rubber shipments during the last three months of 1954, export values would have been much lower and the adverse balance much larger. Total imports are estimated at M$3,111 million and exports at M$2,964 million.

This Malay fisherman obviously takes great pride in his Canadian-made outboard motor. Since the war, the outboard has revolutionized the local fishing industry and Canada has been able to capture the lion's share of this Malayan market.

The downward trend of exports in Malaya's entrepôt trade with neighbouring countries continued last year. Imports from Indonesia increased by M$128 million to M$922 million but exports to that country dropped by M$82 million to M$137 million. It is a matter of grave concern to the Singapore merchants and Government that Indonesia is buying less each year from Singapore. It is apparent that Singapore can no longer count on exports to entrepôt markets as a major source of profit.

Malaya, with large exports of tin and rubber to Canada and the United States, is a valuable contributor to the sterling area's dollar pool. Last year exports to the dollar area totalled more than M$600 million; imports of dollar goods (excluding those via Hong Kong) totalled about M$80 million, leaving a net balance of dollars earned of approximately US$175 million. These dollars are, of course, used to finance the hard currency imports of other parts of the Commonwealth.

In addition to direct or licensed imports from North America, about M$82 million was spent on imports of Canadian and U.S. goods via Hong Kong in 1954. This is a complicated procedure and one which adds about 6 per cent to the landed cost.

Total imports from Canada, at M$14 million, were about 10 per cent higher than in 1953. The improvement is significant because it contrasts with a slight decline in imports from other hard currency sources. Flour continues to be the largest item in Canadian exports, followed by fountain pens, outboard motors, vehicles, newsprint, apples, asbestos, powdered milk, inorganic compounds, frozen fish and ginseng. Of

these eleven items, five were imported via Hong Kong to a value of M$5·3 million out of total imports from Canada by this method of M$5·8 million.

There has been some relaxation in the import control program for Malaya. In November 1954 the authorities announced that they would freely license imports from dollar sources of flashlight batteries, cases and bulbs, pressure lamps and parts, citrus and dried fruit, canned fish, linoleum, rolled oats and other items of little or no interest to Canadian exporters. As this is the first move in some years towards freer licensing of imports from dollar sources, the trend is welcome.

Unfortunately, it is unlikely that further liberalization will take place before the fourth quarter of 1955 and then it will depend on the rate of spending on dollar imports during the first half of the year. If Malaya spends less on direct imports from Canada and the United States than is currently anticipated, further relaxation can be expected. Present indications are that the reverse may be true: with high rubber earnings all imports, including those from dollar countries, may increase and there will be no room for additions to the "free list".

The relaxation of import control in Singapore and Malaya is a matter of principle rather than of practical effect on trade. One of the main arguments in favour of relaxing controls is that this would not affect appreciably the volume of trade between North America and Malaya. Because of the existence of the Hong Kong method of conducting import trade, Canadian exporters can sell in Singapore whether import licences are granted or not—provided the product is acceptable and price and quality are competitive.

HONG KONG

Development of local industries making products for export helped to compensate for smaller trade with China and other areas of South East Asia, and eased the unemployment problem. Trade with Canada also fell slightly and prospects for increase doubtful until conditions in area improve.

T. R. G. FLETCHER, *Trade Commissioner, Hong Kong.*

MOST OBSERVERS of the Hong Kong scene admitted, in retrospect, that the year had been a better one than was expected twelve months earlier. Disinflationary pressures certainly persisted and the tempo of business was far from lively, but none the less the Colony's economy showed few signs of real distress.

Trade values in 1954 were again lower than in the preceding year, but trade volumes were fractionally higher. Commerce with China—the traditional barometer of Hong Kong's prosperity—decreased but idle trading capital found useful alternative employment in the local building industry and stock market. One obviously buoyant sector of the Colony's economy, local industry, added stature and increased in relative importance during the year. It is now not only making a significant contribution to total export trade but is also bringing to Hong Kong a greater measure of stability. One direct consequence is that unemployment is not serious. The cost-of-living index dropped ten points in 1954 chiefly because of increased supplies and thus lower prices for staple foods like rice, fish and vegetables. Hong Kong's public finances seemed satisfactory; without increasing taxation, the Government was again budgeting for a surplus despite larger planned expenditures which did much to compensate for a noticeable slackening in private spending.

On the whole the Colony seems to have adjusted itself to trade controls and to the challenge of a return to a buyer's market. It was also proving resourceful in coping with sudden changes in terms of trade brought about by its outport markets as they reacted to ebb or flow in their own economic fortunes.

Main Developments in '54

The real problem in assessing results is to find a proper standard for comparison. It is difficult to define normality in 1954—unless it was change itself. In any event, few businessmen were in serious difficulties and most companies entered 1955 with considerable confidence.

The value of trade in 1954 totalled HK$5·852 million, down 11 per cent from the 1953 figure. On the other hand, cargo tonnages inched upwards from 5,021,866 long tons in 1953 to 5,176,256 in 1954. Through 1954 export trade was generally steady but changed little from the rather low monthly level which it reached by the end of 1953. Import trade gradually increased as the year progressed.

Both prices and profits fell throughout 1954. Business became increasingly more competitive and this compelled re-appraisals of overhead expenses, cost structures, profit expectations. Still, at year-end most merchants reported slightly higher turnovers but, with lower profit margins, smaller net profits.

The key trade with China languished further; the Mainland's share of the Colony's total trade slipped to 18·5 per cent compared with 21 per cent in 1953. The decrease involved a loss of trade worth HK$300 million.

Business with the rest of South East Asia, that other important area of the Colony's trade, also decreased in 1954. Asia exclusive of China accounted for only 41·7 per cent of total trade, compared with 42·4 per cent in 1953. This involved a loss of HK$375 million more.

The overall decline in trade can be directly attributed to the continued UN restrictions on exports to China and the fact that China diverted much of her trade to Soviet bloc countries. It was also due to the problems and conditions facing the Colony's other Asian trading partners.

Building Domestic Industries

Unfortunately all this was beyond the control of Hong Kong itself. Naturally the Colony's traders turned to alternatives which they could influence and the result was serious concentration on the already profitable export trade in products of Hong Kong industries. These industries are characteristically ones which employ to advantage the Colony's ample supplies of cheap hand labour. Local businessmen exploited this factor further in 1954 and increased production in line with the carefully-cultivated bigger demand. Exports of local manufactures actually formed 30 per cent of Hong Kong's total export trade—a record HK$681·8 million out of HK$2,417 million.

Local industry seems capable of still more development. The staples—cotton textile goods, rubber footwear, small metalwares, enamelware, etc.—are cheap in price and suitable in quality. Significantly, the newest markets are not in Asia, though these are vitally important, but in Western countries such as the United Kingdom, Australia and Canada.

Further Expansion Planned

Local businessmen are certainly planning further industrial expansion and their confidence has been bolstered by official support. This signifies recognition of Hong Kong's transition from a purely commercial centre. It also emphasizes the Government's appreciation of the new role of local factories as a stabilizing influence in the Colony. At the year's end the size of the registered labour force indicated dependents totalling 25 per cent of the total population.

A variety of other economic indicators strengthens the belief that the Colony is sound, if not prosperous. Though retail sales were down by about 20 per cent, bank clearances throughout 1954 were regularly higher than in 1953. The budget, balanced at about HK$389 million, was the largest in Hong Kong's history, involving unprecedented expenditures on education, medical services, public works, etc., yet at November 30th revenues for the first eight months of the fiscal year were up to expectation. The Colony had substantial public reserves totalling HK$460 million. The production and consumption of electric power set new records in 1954; the open money market price for the U.S. dollar was steady, and the cost-of-living index dropped from 125 to 115 over the year.

Trade with Canada

Hong Kong's trade with Canada was almost lost to sight in the background of the overall trade decline but it conformed to the general pattern in that it too decreased slightly. With exports to Canada totalling HK$20·4 million and imports from Canada totalling HK$55·1 million, gross trade in 1954 was down 7·5 per cent from 1953. The only improvement during the year was the increased importance of exports of local manufactures; at HK$5·1 million these were higher by HK$1 million over 1953 and consisted almost entirely of footwear, flashlight cases, and Chinese-type foods. The leading products brought in from Canada were wheat flour, polystyrene, newsprint, fountain pens, medicinal preparations and passenger vehicles. Hong Kong's exports stressed shelled nuts (actually of Chinese origin). It seems unlikely that the Colony's trade with Canada will increase sharply.

Looking to the Future

Altogether, Hong Kong did not have a bad year. Prosperity was definitely absent but on the whole business was satisfactory. Merchants were cautiously confident of the future, if the political situation did not take a turn for the worse.

There seemed little prospect of any startling change for the better. There was not much likelihood of an early easing of United Nation's trade controls or of quick and complete recovery throughout South East Asia. But neither was there immediate cause for alarm; 1955 was expected to be similar to the year just ended.

A few thoughtful traders were wondering whether China had permanently re-oriented her trade and would hold to her current determination to bypass Hong Kong. They also conjectured about Hong Kong's place in South East Asia upon the return of convertibility of foreign exchange: perhaps the Colony was a "foul weather" friend with her open money market bridging dollar and sterling blocs. Would Hong Kong's famous banking, insurance, shipping, trading facilities remain important always? Only the future had the answers. ●

AUSTRALIA

Cuts / Imports. Necessities — 15%
Near — 15
Luxuries — 33⅓ — 90 day licences

Reduced wool sales and smaller demand for wheat have cut Australia's export income in first six months of fiscal year; imports have risen rapidly. Restrictions on sterling area goods intensified but those on dollar goods relaxed slightly, giving Canadian exporters greater scope and larger sales.

C. M. FORSYTH-SMITH, *Commercial Secretary, Sydney.*

PROSPERITY was fairly general throughout Australia last year, with high incomes, full employment, reasonably stable prices and high industrial output. Some weak spots appeared, however, among certain secondary industries facing import competition, some sectors of agriculture, and in the balance-of-payments position. But though there are a few clouds on the horizon and some problems to overcome, the Australian economy is sound and the long-term prospects favourable.

The condition of agriculture is still good although some sections are finding it difficult to export at prices above cost of production. Despite greater efficiency and increased yields of crops and pasture per acre, expenses have risen sharply because of the increased cost of plant, equipment and labour. Wool, which accounts for over 50 per cent of Australia's export income, and wheat, contributing about 12 per cent, are the mainstays of the export income and are able to compete on overseas markets. Other primary industries such as dairying, eggs and dried fruits are finding it increasingly difficult to market their products abroad at remunerative prices.

Marketing Agricultural Products

The income from wool exports is expected to be about £40M. lower than last year but it should still be the third best on record. The current wheat crop is estimated at 166M. bushels compared with 199M. bushels last year. Sales have been slow but it is expected that the carryover at the end of this season will be about the same as last year's 95M. bushels. Sheep numbers are at a record of over 127M. and beef cattle at 10·75M., and production of meat is continuing the rise of last year. Pig numbers are low at 1·2M. and may decline further because of the high cost of feed and labour. Total meat production is only slightly lower than the record year of 1952-53. Beef and veal at 706,300 tons in 1953-54 is a record. Exports of fresh and frozen meat reached a postwar record of 201,700 tons in 1953-54 and continue high. Exports of meat have now reverted to private trade although Australia, under the 15-year meat agreement with the United Kingdom, is guaranteed a market for all of her exportable surplus, with the benefit of a floor price, except for an agreed quantity which may be shipped to markets other than the United Kingdom.

Milk production during 1953-54 is estimated at 1,190·4M. gallons, which is 28·2M. gallons lower than the previous year, but production is rising again and should be well up this season. More milk is going into cheese and condensary products and less into butter. Australia is shipping butter to the United Kingdom at about 11d. per pound below the determined cost of production and producers are subsidized by that amount. Exports of cheese are good but processed milk products are harder to sell. A request for an export subsidy from the Processed Milk Manufacturers of Australia was refused by the Government on the grounds that financial assistance is not the answer to the problem.

Without the benefit of a contract with the United Kingdom, the returns for shell eggs sold there are also below cost of production. Dried vine fruits sales to the United Kingdom are facing severe competition from lower cost European countries and subsidized U.S. exports. It is also becoming increasingly difficult to dispose of Australia's exportable surplus of sugar, above that covered by the contract with the United Kingdom, and it is planned to restrict acreage at least to the present level. Sugar can only be exported with the aid of a subsidy paid on home consumption.

Oil and Uranium

The search for minerals was intensified during 1954, with oil and uranium receiving particular attention. The high hopes which had been raised by the discovery of the first oil in Western Australia late in 1953 have been somewhat dampened since no further oil has been struck. Drilling is continuing in several areas and the major oil companies appear confident that oil in commercial quantities will eventually be found. Several new uranium deposits were discovered during the year and Australia's first uranium refinery came into production.

Trade Balance Deteriorates

The overall trade picture has been causing concern in recent months and for the first six months of the fiscal year 1954-55 Australia had an unfavourable balance of trade of £26·6M. compared with a favourable balance of £124·7M. during the same period of 1953-54. The deterioration resulted from a rapid rise

in imports from £318,100,000 in the first six months of 1953-54 to £372,300,000 in the same period of 1954-55; at the same time exports dropped from £442,800,000 to £365,700,000. Smaller wool sales, combined with a drop in wool prices of approximately 10 per cent, and reduced sales of wheat and other primary produce were the main causes of the decline.

During the fiscal year 1953-54, Australia's favourable trade balance was £149,483,000 but the balance of payments showed a surplus of only about £9M. At the beginning of the present fiscal year Australia's overseas reserves stood at £571M. This may seem a comfortable figure but it should be remembered that during the fiscal year 1951-52 Australia's overseas reserves fell from £804M. to only £373M. This demonstrates that the Australian balance-of-payments position is exceptionally vulnerable to fluctuations in export earnings and the value of imports. The unfavourable balance of trade for the present year may reach some £70M. and the overall balance-of-payments deficit between £150M. and £170M. In an attempt to remedy this, import restrictions on sterling area goods were intensified in October 1954. The drain on the reserves was halted in December and the hope is that the position will not deteriorate too much during the second half of the year. If there is no substantial improvement, however, a further tightening in import licensing regulations can be expected, probably about April.

Trade and Tariff Policies

Australia's trade policies have been carefully studied during 1954. The chief problem is her desire to maintain her volume of exports of primary produce and at the same time protect her rapidly expanding secondary industries. The manufacturers bitterly oppose Australia's membership in GATT and advocate instead a revision of imperial preference; the Chamber of Commerce and traders in general are in favour of continuing GATT membership. However, despite some disadvantages from her point of view, it appears that Australia will continue in GATT.

Increases in tariffs on certain goods were implemented during the year on the recommendation of the Tariff Board but in view of the large number of applications for tariff increases, the number and extent of them were relatively small.

Trading with Canada

Canada's trade with Australia during 1954 improved as restrictions against dollar goods were gradually relaxed. It is significant that relaxation in dollar spending came at the same time as a general tightening of import restrictions on goods from soft-currency sources. This, combined with relaxations on imports from Japan, indicates a trend toward the purchase of goods from the most economical sources regardless of the type of currency involved.

—Australian Official Photo

Among the sectors of Australian agriculture which have been finding it difficult to sell their products abroad at a profit is the dried fruits industry. Here grapes raised in the Murray River region are placed on outdoor racks to dry.

Canadian exports to Australia during 1954, at $45·76 million, exceeded considerably the 1953 figure of approximately $39·62 million. On the other hand, imports from Australia in the first eleven months of 1954 were valued at $23·3 million compared with $22·28 million in the same period of 1953. Thus the Australian authorities have been relaxing restrictions against Canadian goods despite the fact that their trade balance with Canada is unfavourable. The general policy affecting imports from the dollar area has not changed and import licences are granted only for dollar goods which cannot be obtained from local production or from soft-currency sources. There has, however, been a considerable easing in the administration of this policy and this trend is expected to continue throughout 1955.

Despite the two major problems, the balance-of-payments position and high internal costs, the long-term prospects in Australia are undoubtedly good. Development programs are progressing, increasing amounts of overseas capital (particularly from the United States) are being invested and there is no indication of a decline in industrial output. The year 1955 will present some serious problems but the general condition of the Australian economy is sound. It may not be a boom year but it should be one of consolidation after several years of outstanding prosperity. ●

NEW ZEALAND

Easing of import restrictions during year brought an increase of over $7 million in purchases from Canada. Power and pulp and paper developments proceeding at good pace; authorities have taken steps to check inflation resulting from high export earnings and have raised bank discount rate.

L. S. GLASS, *Commercial Counsellor, Wellington.*

FOR SEVERAL YEARS New Zealand has been enjoying prosperity and 1954 was no exception. Retail sales for the first six months of the year increased by over 7 per cent compared with the same period of 1953 and although statistics are not yet available, it is known that this increase continued throughout the year. The Christmas trade was the most brisk for some time. Prosperity in New Zealand is synonymous with prosperity in agriculture—practically the entire export earnings of the country come from the sale abroad of meat, wool and dairy products.

Trading Problems

During 1954 the marketing procedure for these commodities changed radically. From the war years on, they were sold through bulk purchase contracts between the Governments of New Zealand and the United Kingdom. During 1954 these contracts came to an end and many fears were expressed about the future of the meat and dairy products industries. Butter was threatened by cheap and good margarine; it has, however, held its own and shows little sign of weakening. The cheese market has been more difficult and there may be a further recession. Wool prices remained firm through most of the year but fell off slightly during the fourth quarter. However, the bumper clip ensured an income almost equal to that of 1953.

Overseas exchange transactions in 1954 resulted in a deficit of £16·6 million ($45 million) compared with a surplus of £26·2 million ($72 million) in 1953. This was mainly due to an increase of £47·1 million ($89 million) in private imports and a decrease of £25·6 million ($70 million) in the returns for butter and cheese. This drop in receipts resulted largely from the lag occasioned by the change-over from bulk purchase contracts to free trading.

Checking on Inflation

The continued high export earnings have again put money in the pockets of the public and savings banks' deposits have gone up considerably; on March 31st, they were over 30 per cent higher than at the same period in 1949. The note issue of the Reserve Bank reached £77·4 million in December of 1954 compared with £74·4 million in 1953. All this means an inflationary pressure reflected in a continual rise in the cost of living. As one financial editor put it, the pound has not gone farther, but on the other hand it has not been unduly hard to get.

The Reserve Bank has taken steps to check inflation and the compulsory deposits which the trading banks are required to maintain with the Reserve Bank were increased to 25 per cent of the demand liabilities and 12½ per cent of their time liabilities. At the same time, the bank's discount rate was raised to 3½ per cent. This action is perhaps more important in New Zealand than it would be in Canada because, to a large extent, New Zealand's industry and commerce is financed by bank credit rather than ordinary capital. Imports too are financed in this way. Thus with the compulsory deposits of 25 per cent and 12½ per cent, it is considered that the free money will be maintained at about the £20 million mark, which will restrain both internal bank loans and loans for financing imports. There is also another controlling body in New Zealand, the Capital Issues Control Committee, to which application must be made to float any new capital issue of £10,000 or more.

Industry and the Tariff

During and since the war New Zealand's industrial development has moved ahead at a steady rate. There are as yet few large industries and even fewer with an exportable surplus of goods, yet they take an important place in the economy. There has been no general revision of New Zealand's customs tariff since 1934 when the majority of New Zealand's industries did not exist. At the outbreak of World War Two, import controls were instituted as a wartime measure. Since the war they have served a dual purpose: first, husbanding overseas exchange, particularly dollars, and second protecting recently established industries for which no provision was made in the customs tariff.

It is a stated policy of the Government not to protect uneconomic industries but the question of which are economic and essential industries is a difficult one. Currently the Board of Trade is reviewing what might be called the hard core of products still under general import licensing as a forerunner to a new tariff of customs duties. This means some uncertainty in commerce and industry, particularly for those enterprises

One of the geothermal bores in the Wairakei region of the North Island "blows up". Experiments on using this geothermal steam as a source of power are now going forward.

which may feel themselves close to the non-essential margin. It has also, with the continued shortage of dollar exchange in the sterling area, retarded the freeing of imports from dollar countries. At the same time it enables the Government to encourage desirable imports such as essential raw materials, industrial machinery and equipment and similar lines and to discourage the import of non-durable consumer goods and luxuries.

Import Restrictions Eased

Up until the end of the first quarter of 1954, the dollar trade was ruthlessly cut back and Canadian exports suffered. On April 26th a change in New Zealand's attitude, if not actual policy, towards dollar controls was announced. A number of items were put on the world exemption list and provision made for more generous or new quotas in the case of another series of goods. Again in September more products were added to the world exemption category and at the same time there was a further broadening of the official viewpoint towards dollars. It was made clear that applications for dollar imports would, from then on, be individually considered and should clear-cut advantage be shown for the import of dollar goods, the applications would receive favourable consideration. Thus by the end of the year New Zealand's imports from Canada stood at just under $15 million, compared with $7·5 million for the same period in 1953. Products featuring most largely in this increase were pulp and paper machinery, up by more than $2 million; motor vehicles, up by about $1 million; lumber, by about $600 thousand, and canned salmon, up by $1 million. On the other hand, Canada's imports from New Zealand fell slightly, from $8·6 million to $7·3 million, chiefly because of smaller purchases of wool of various types.

It seems reasonable that unless a new crisis should develop in the sterling area's foreign exchange holdings, New Zealand's relaxation of exchange and import control will continue progressively until the hard core is reached. A decision on this group of products will depend on the speed with which investigation and the revision of the New Zealand customs tariff can proceed.

Power Development

For many years past, New Zealand's state development schemes have concentrated on the harnessing of the many hydro-electric sources. Some of these are in progress in the North Island and by the time they are completed, the potentialities of that half of New Zealand will be practically exhausted. There still remain sources in the highly mountainous South Island, particularly in the dense rain belt of the West Coast. The experiments taking place in the thermal region of Wairakei in the North Island are of undoubted importance. Bores have been drilled through the intervening strata into huge reservoirs of geo-thermal steam. The indications from the last and deepest bore yet drilled are that, in the not distant future, this geo-thermal steam will prove an important source of power. It is also a source of heavy water important in nuclear reaction.

Pulp and Paper Projects

Probably the most important new industrial developments in New Zealand are those stemming from the great tracts of exotic forest in the districts where cultivation has been in progress since the early days of the century. These forests have now reached maturity and are ready for exploitation. The most ambitious of the enterprises undertaken to date is that of the Tasman Pulp and Paper Company, commonly known as the Murupara Scheme, and more recently the Kawerau project. The whole project, costing in the neighbourhood of $84 million, is designed for an annual production of up to 72 million board feet of timber, a surplus of 36,000 tons of chemical pulp over and above the mill's own needs for the production of newsprint, and approximately 75,000 tons of newsprint. In the initial stages, these targets will of course not be reached. It is reported that the New Zealand newspaper publishers have contracted to take a total of 20,000 tons a year

over a five-year period and an option of an additional 5,000 tons by the end of the contract period. A similar agreement has been reached with Australian consumers.

Logging operations have already begun to create a stockpile for the mill when it comes into operation approximately in July of this year. This one new industry will be able to save New Zealand over £4 million which have been annually spent abroad, approximately £2 million of which went to Canada. At the same time the surplus should prove a valuable exchange earner because it will find ready markets in Australia and the South East Pacific.

Two other new industries—the New Zealand Forest Products Limited and the Whakatane Board Mills Limited—are already producing a wide variety of products, especially kraft products from the first-named and a wide range of paper boards from the latter in sufficient quantity to supply the greater part of New Zealand's demands. At Kawerau, adjacent to the Tasman Pulp and Paper project, another new industry, to be known as the Caxton Paper Mills Limited, will be started. The mill, costing a projected £600 thousand, will be designed to produce some 4,000 to 5,000 tons of tissue and various lightweight papers a year on a 24-hour basis. This should provide New Zealand with the greater part of her tissue needs and leave a substantial exportable surplus.

One factor that hampers New Zealand's industrial growth is the shortage of skilled and unskilled labour. At the end of October there were 13,500 notified vacancies and only 36 unemployed to fill them. The labour force has increased from a total of 422 thousand employed at the end of April 1948 to 502 thousand at the same time in 1954.

JAMAICA

Canada continues to rank as colony's second trading partner, taking 20 per cent of Jamaica's exports and supplying 14 per cent of its imports. Several products added to World Open General Licence list in 1953 and early in 1954. Bauxite mining now important industry.

R. R. PARLOUR, *Assistant Trade Commissioner, Kingston.*

JAMAICA had a fairly good year in 1954, with marked improvements in the balance of trade and in dollar earnings. Favourable weather brought increased agricultural output, although there were a few weak spots and continued problems in finding export markets. The industrial development program made substantial progress. Mineral production, especially bauxite and gypsum, was up and there was growing interest in iron ore, marble and oil. The cost of living showed little change. Tourist traffic, a big dollar earner, was satisfactory although down slightly from the previous year. Consumer spending during the Christmas season was brisk in keeping with generally prosperous business conditions.

Certain problems continue—Jamaica still faces widespread and chronic unemployment and has a low level of income by Canadian standards. But productivity is steadily increasing and this gradual improvement should continue in the future as mining and manufacturing add to the wealth produced by agriculture.

In the field of politics, 1954 saw continued progress towards stability and self-government. Jamaica remained a strong supporter of Federation. The inter-island shipping service just commencing operations was welcomed as a further link with the other British colonies of the Caribbean area. The first steps were taken towards a currency union with the rest of the British Caribbean.

The Turks and Caicos Islands, political dependencies of Jamaica, made little progress and were hard pressed to find markets for salt, their principal product.

A Dollar Earner

In 1954 Jamaica's international trade stood up well. The Colony's net dollar position from all transactions showed a surplus of $9,325,000, 20 per cent greater than for the previous year.

In its visible trade with all countries, Jamaica whittled down its unfavourable balance from £18 million in 1952 and £10 million in 1953 to £3·2 million in the first eleven months of 1954. The improvement during the past year stems from the fact that imports have remained at about £35 million per year and exports have increased from £24·5 million to more than £32 million. Favourable balances appeared with Canada and the United Kingdom and an unfavourable balance with the United States.

During the first eleven months of 1954, about 40 per cent of Jamaica's trade, both import and export, was carried on with the United Kingdom. Canada ranked as the second trading partner, taking over 20 per cent of Jamaica's exports and supplying about 14 per cent of the Colony's imports. The United States ranked a close third, taking 14 per cent of Jamaica's exports and supplying 17 per cent of her imports.

Canadian exports to Jamaica totalled $11·5 million in 1954, compared with $12·5 million in 1953. Chief commodities featured in this trade movement were bakers' flour, salt cod, pickled and canned fish, tobacco, newsprint, lumber and shingles, pickled meat, and machinery for the bauxite industry. Imports from Jamaica into Canada reached $14·5 million in value for the first eleven months of 1954, compared with $11·6 million for the same period of 1953.

Trading Liberalized

The B.W.I. Trade Liberalization Plan continued during 1954. Licences issued under the Canadian plan totalled $1,537,733 for regular allocations and $748,359 for special allocations, making a total of $2,286,092. By comparison, licences issued under the U.S. plan totalled $1,545,364. A wide range of commodities, many of them brand-name consumer goods, were shipped under the plan.

Outside of the dollar goods allowed entry under the Plan, Jamaica has retained most of its restrictions against imports from dollar countries. However, in February 1954 the World Open General Licence list was expanded to include newsprint, kraft paper, cheese, powdered milk, split peas and meats. Early in 1955, the list was further increased by the addition of lumber, shingles, laths, box shooks, staves, headings and barrel shooks, softwood and hardwood plywood, mouldings and trimmings of wood. Last July the import of flour was freed and returned to private traders. During the past year currency controls were eased for travellers. Late in the year, there were signs that a few dollar motor cars would be allowed entry for business and essential use, and for the current year it has been announced that, although the total of dollars available to the colony may be unchanged, the colonial authorities will have full jurisdiction over their dollar expenditures, without reference to London.

One cloud on the horizon is the excessive use of credit by import merchants. This has been encouraged by manufacturers and exporting houses in the United Kingdom. A special committee of the Chamber of Commerce has been set up to investigate the problem.

Agricultural Crops Larger

SUGAR—Sugar is vital to the Jamaican economy; it is the largest single export and exceeds all other agricultural exports combined. Production during 1954 reached 363,303 long tons, a record. Of this, 206,222 tons went to the U.K., at the negotiated price of £41

This herd of pure-bred Braham cattle is being raised on one of Alumina Jamaica's properties. Herds developed by the aluminum companies today are among the largest and the best in the West Indies; are used both for beef and for dairy products.

per ton c.i.f., plus the amount of the British preferential tariff. The remainder, some 114,070 tons (about 6 per cent more than in 1953) went to Canada. Home consumption accounted for the remaining 45,000 tons.

Although prices were slightly lower than for the previous year, Jamaica fortunately was able to dispose of all her sugar within her International Sugar Agreement quota, thanks to short-falls in other producing countries. But there is some fear that if Jamaica continues to produce in excess of her 270 thousand ton export quota, it may not be possible to find adequate markets for all her output. Rum markets continued depressed during the year but molasses exports, at 13·5 million gallons, improved substantially to fill the gap.

RICE—Increased rice output is a major government aim and the Agricultural Development Corporation has spent over £620 thousand in government loans and grants to encourage rice farming. The objective is 30,000 tons per year, enough to make the Colony self-sufficient. Acreage was doubled in 1954 to 14,000 acres with an estimated production of nearly 17,000 tons.

BANANAS—Exports in 1954 went up about 13 per cent over the previous year and totalled 11·6 million stems. Some trouble arose over the quality of the fruit and inspection of export shipments is now more severe but a larger proportion of export rejects in '55 may be counterbalanced by added output from 10,000 acres just coming into production. The Banana Board has announced that all bananas exported henceforth will be wrapped in plastic covering.

CITRUS—The 1953-54 crop was down moderately from the previous year but the 1954-55 crop is expected to be larger. Following complaints over arrivals in New Zealand and in Britain, the Citrus Growers Association has begun a more rigid selection of fruit for export. A citrus mission from the U.K. visited Jamaica during the year to advise on how to increase the efficiency of the industry. Jamaican citrus producers feel concern over American and other competition in the British market.

OTHER CROPS—Coffee exports in 1954 were up 10 per cent to 12,000 bags. Demand is firm and future prospects are bright. A fairly good cocoa crop is coming in. Two local manufacturers of cocoa powder are now using about 60 per cent of the crop and the remainder is being exported at favourable prices. The pimento (allspice) crop was short, resulting in a very buoyant world price. There is some concern in government circles lest pimento be priced out of the market but growers are pressing for an increase in the official export price of 300 shillings per hundredweight.

The mining of bauxite and manufacture of alumina continue to gain importance as the three Canadian and United States bauxite companies increase their activities. Exports have risen from ·2 million tons in 1952 and 1·3 million tons in 1953 to 1·7 million tons in the first 11 months of 1954. Investment in this industry now totals more than £22 million. Alumina Jamaica Limited, subsidiary of the Aluminum Co. of Canada and the only one of the big three to process the bauxite into alumina locally, has begun a further plant expansion.

Growth of Bauxite Mining

For a small country whose prosperity has depended almost wholly on fluctuating world prices for a few agricultural products such as sugar and bananas, the advent of this large mining industry is most important. Mining royalties from bauxite doubled last year and will eventually reach £125 thousand a year; the amount of income tax payable by the companies will be considerably higher. Revenue will accrue also from the use of the Jamaica government railway for the transport of alumina and supplies. Although the bauxite operations are largely mechanized, more than 1,200 workers are already employed in the industry. It has been estimated that the combined spending of the three producers on wages, land taxes and royalties now exceeds £600 thousand a year.

A further gain arises from the subsidiary activities of the three bauxite companies. Under local laws, they must use the agricultural and forest lands they have leased. Cattle herds developed by the companies for beef and dairy produce are today among the largest and best in the West Indies, amounting to nearly 10,000 head. Moreover, the production of food crops, citrus growing and reafforestation schemes are adding considerably to the output of the Colony.

The present shortage of electric power does not permit the operation of aluminum reducing plants in the island. However, the Geological Survey Department estimates that if all potential power sources are developed in future, it may be possible to recover both aluminum and iron from local ores on the spot. Other uses of bauxite still to be investigated are the manufacture of quick-setting aluminous cement, aluminous abrasives, and filters for petroleum and sugar.

New Industries

The Industrial Development Corporation continued its active promotion of new industries during 1954. It estimates that 15 per cent of Jamaica's internal income now results from manufacturing. The Corporation is developing 150 acres of land to the west of the wharf area in Kingston as an industrial estate; already three factories are under construction and others are planned.

New projects during the year included those for the manufacture of polishes, pharmaceuticals, paints, metal furnishings and gramophone records. A Canadian firm began production of jelly powders late in the year. The local cement plant had a prosperous year and increasing amounts of cement were required to satisfy demand in Jamaica.

To protect local industries, the Government maintained various import restrictions during the year on such things as shirts, shoes, textiles, matches and canned milk. It may be significant that the local match industry, protected by a complete monopoly, has not proved entirely satisfactory, and the Industrial Development Corporation has stated that monopoly concessions will not be given in future.

BAHAMAS

THE TOURIST TRADE, principal industry of the Bahamas, is pushing the colony up to new levels of prosperity. The number of visitors has been growing steadily in recent years—from 32,000 in 1949 to 90,000 in 1953 and 100 thousand by early December 1954. This tourist traffic brings the colony an estimated 12 million United States and Canadian dollars a year—enough to pay for all its dollar imports.

The inward flow of dollar investment is also important. The net dollar gain from all sources has increased from \$3 million in 1952 to \$4 million in 1953 and over \$6 million in the first eleven months of 1954. Much of the new capital has gone into construction; there was a record-breaking £2 million worth of new residential, hotel and business building in 1954.

Export and Import Trade

Trade figures for 1953, just released, show that total imports remained steady at about £8·8 million and that exports increased slightly to just over £1 million. Canada held her relative position as third ranking supplier with about 10 per cent of the total, providing chiefly flour, canned milk, fresh and cured meats and lumber, plus smaller amounts of a wide range of commodities.

The United States remained the principal supplier, enjoying nearly 45 per cent of the total import trade distributed over a wide range of commodities, including machinery, clothing, provisions, meats, electrical apparatus and appliances, furniture, hardware, animal foods, boots and shoes, paper, drugs, and cotton piece goods.

The United Kingdom's share of the market—about 24 per cent—consisted largely of motor cars, hardware, beer and whisky, boots and shoes, machinery, provisions, woollen goods, chinaware, tires, cement, paints, toilet preparations, artificial silk goods, and bicycles.

Other suppliers were Australia—frozen, canned, and cured meats and butter; New Zealand—butter, canned and cured meats; Aruba—fuel oils; Jamaica—sugar; France—perfumes and liqueurs; Holland—foodstuffs.

Commodity exports from the Bahamas remained relatively small, although they have increased steadily from less than £½ million in 1949 to £1 million in 1953. Products in order of importance were pitprops (to U.K.), lumber (to B.W.I. and Cuba), salt (to Canada and U.S.), crawfish (to U.S.), raw tomatoes (to U.S.), canned prunes (to U.K.), straw and shellwork (to U.K., U.S., Canada and B.W.I.), okras (to Canada) and canned tomatoes.

Preliminary trade figures for the first six months of 1954 show imports at a rate about 5 per cent above that for the previous year. The relative positions of the chief suppliers were unchanged but if the pattern of the first six months continues, there will be gains for Britain, the United States, France and New Zealand and declines for Canada, Australia and the Netherlands.

Exports for the first six months of 1954 were at about the same rate as last year, with increased sales to the United States and smaller sales to the United Kingdom and Canada. Exports of lumber gained and this balanced a decline in exports of pitprops, salt and various agricultural and marine products.

Import Licences for Dollar Goods

The British West Indies Trade Liberalization Plan remained in operation for the Bahamas during 1954 and Canadian exporters who qualified for allocations were assured of import licences. In addition, the Bahamas Open General Licence list—items which are freely admitted—includes products of interest to Canadian exporters such as newsprint, kraft paper, fish (dried, smoked, pickled, salted or canned), onions, potatoes, animal feedingstuffs, cheese, powdered and canned milk, split peas and meats.

Many other items are being granted import licences from dollar countries if they are essential to the needs of the colony and its tourist trade, and if similar goods are not available from soft currency sources. Each application for a licence under this category is considered on its own merits. Among dollar imports which have been allowed into the colony from time to time are whisky, foods (except soups, jams, jellies, pickles and biscuits), apples, clothing of all types, women's and children's shoes, furniture, drugs, some hardware and appliances.

In December 1954 Nassau seemed busy and prosperous. The stores along Bay Street were well stocked—probably the best in the British West Indies in this regard—and American merchandise was everywhere in evidence. Many luxury items such as perfumes, woollens, china, jewellery and liquor were seen bearing British or European labels. Some merchants complained that Canadian exporters were pricing their goods as high as the traffic would bear and, after considering the exchange and freight, the goods were often more expensive than U.S. offerings, in spite of the British preferential tariff. Salesmen from exporters in Florida make frequent calls in Nassau but Canadian salesmen are seldom seen.

One of the principal advantages which Florida exporters enjoy is that freight rates from Miami to Nassau are low compared with those from New York or Canadian ports and the ocean trip requires only 16 hours, with sailings daily. For quick service, orders can be placed by telephone, with delivery by air. One Nassau merchant boasted of having a shipment delivered from Miami to his retail store within six hours of placing the order!

Under present trading conditions, basic foodstuffs and lumber form the backbone of Canada's export trade to the Bahamas and these Canadian products seem well entrenched in this market. But for many manufactured items, with the supply of dollars too small or too uncertain, many Canadian exporters and Bahamian importers have evidently decided that a concerted effort to build up sales is not justified at the moment.

However, should conditions in the sterling area continue to improve and dollars become more plentiful, this market will warrant closer attention. Competitive pricing and regular visits by sales representatives are basic for building up sales.

R. R. PARLOUR,
Assistant Trade Commissioner, Kingston.

BRITISH HONDURAS

Trade balance was unfavourable and business slow in 1954 but development projects hold promise for future; forestry is being aided and agriculture encouraged. Control on dollar imports easing.

R. R. PARLOUR, *Assistant Trade Commissioner, Kingston.*

THE BUSINESS PACE in British Honduras was slow in 1954 as heavy rains hindered the lumber and logging industries. A few business firms are hard-pressed because they made too frequent use of bank credit and it is expected that government revenue from income tax will decline about 20 per cent in the current year. Total exports decreased slightly in 1954 and imports increased, producing the usual unfavourable trade balance. More buoyant sectors of the economy were the citrus fruit, sugar, coconut and chicle industries. United States' interests are preparing to drill the country's first oil well within the next few months.

An extension of the Colony's development program for the period 1955-60 has just been announced and envisages spending up to B.H.$13 million during the next five years, over and above the normal government expenditures. The first B.H.$5 million will become available in April and will cover projects for a three-year period. Most of the funds will come from Colonial Development and Welfare grants, with smaller amounts from external loans and from the general revenues of the Colony. The main emphasis of the program is on the development of forestry, agriculture, communications and education.

Total exports for 1954 dropped by about 8 per cent to B.H.$6,226,568. The principal items were:

Exports, 1954

Commodity	*Value (in 000's B.H.$)*	*Principal Destinations*
Mahogany lumber	1,306	United States, United Kingdom, Jamaica, Canada, Sweden
Pine lumber, rough	929	British West Indies, French West Indies, Cuba, Germany and Netherlands
Chicle	883	United Kingdom
Grapefruit segments	552	United Kingdom
Pine lumber, dressed	529	British West Indies
Grapefruit juice	273	United Kingdom
Mahogany logs	253	United States
Cedar logs	145	Cuba, United States
Sugar, unrefined	145	United Kingdom
Crown gum	126	United States, United Kingdom
Cedar lumber	124	Jamaica, United Kingdom, Canada
Coconuts	118	United States, United Kingdom
Grapefruit	106	United Kingdom
Corn (maize)	104	Jamaica
Orange juice	91	United Kingdom
Lobster tails	75	United States
Whole lobsters	31	United States

Other exports included fresh and salted fish, other citrus and pineapple products, alligator skins, secondary

hardwoods, tanning extracts, spices, snakeskins, ramie fibre, tortoise shells, cohune oil, gums and resins, and archaeological specimens.

Imports in 1954 were somewhat larger than in the previous year and by the end of eleven months had exceeded B.H.$10 million. The United States and the United Kingdom were the leading suppliers, but Canada was an important source for the items below:

Imports Jan.-Sept. 1954

Commodity	*Value (in 000's B.H.$ c.i.f.)*	*Leading Suppliers*
Flour of wheat	494	United States, Canada
Cotton fabrics ...	292	United States, United Kingdom, Canada
Canned and pickled meats..	169	United States, Canada, Australia
Boots and shoes of leather	87	United Kingdom, Canada, United States
Canned fish	20	Canada, United Kingdom

Canada's share of these sales to British Honduras was: flour of wheat, B.H.$128,000; cotton fabrics, B.H.$51,000; canned and pickled meats, B.H.$39,000; leather boots and shoes, B.H.$15,000; canned fish, B.H.$15,000.

Other leading imports were canned and powdered milk, rayon fabrics, clothing, sawmill machinery, electric generating machinery, prepared paints, paper and paperboard products, medicinal preparations, motor cars, canvas and rubber footwear, dynamite, manufactured fertilizers, unmanufactured tobacco, whisky and beer, cheese and butter.

Dollar Controls

Controls against imports from dollar countries are gradually being relaxed. The British West Indies Trade Liberalization Plan is continuing during 1955 and, like other B.W.I. colonies, British Honduras has placed a number of basic commodities on World Open General Licence. In addition, some extra licences for dollar imports are issued from time to time. Commodities essential to the needs of the Colony and competitively priced are given preference. Canadian exporters looking for extra business under this dollar program should advise their agents to keep in close touch with the local control authorities.

Forestry and Agriculture

Since it was first settled British Honduras has depended on its forest production; in the early days, logwood for dyes was the chief export. This trade disappeared with the discovery of synthetic dyes and interest turned to mahogany and chicle and, more recently, pine. There is now a danger of over-cutting these species and production may decline until the present afforestation schemes bear fruit. Under the development program, substantial funds are earmarked for loans to sawmill operators, afforestation, natural regeneration, and pulpwood investigations. A Canadian firm has been engaged to carry out an aerial survey of 500 square miles of forest land in the central part of the Colony. The Government hopes to interest foreign capital in the construction of plywood and possibly wood pulp factories and is anxious to find markets for some of its secondary hardwoods to compensate for the drop in mahogany production. There are over forty species of hardwood in the Colony, with a great variety of colours, textures and woodworking properties.

Mahogany planks stacked in a sawmill yard at Belize. The colony has long depended on timber for a major part of its income; now forest conservation and development schemes are taking shape and making some progress.

The new citrus and sugar industries are now well established and there is promise of further expansion; the coconut industry is recovering from its prewar depression. Under the development program it is hoped to achieve self-sufficiency, or exportable surpluses, from the production of cattle, corn, rice, pineapples, beans, cocoa and other fruits and vegetables. The emphasis will be on small or medium-sized holdings rather than large estates and a large part of the funds will be spent on government staff and buildings, crop experiments, agricultural education, land clearing and settlement. It is hoped that the growth in agricultural output will compensate for the temporary decline in forestry. One basic difficulty is the lack of a large population with an agricultural tradition. A people numbering only 70,000 who for centuries have led a nomadic life working in the forests do not take readily to farming.

Local fisheries production is sufficient to supply the domestic market with fresh fish and exports of lobsters and lobster tails to the United States and of other fresh and salted fish to neighbouring countries are growing. Government officials feel that a fishmeal plant could be operated profitably in the Colony. The excellent sport fishing around the shallow waters, coral reefs and cays which extend the length of the coastline may lead to a tourist industry. Already Belize has a fine modern hotel built by the Colonial Development Corporation. Other projects on which development plan funds will be spent are housing, water and sewer services, roads and bridges, radio and telecommunication services, and schools. It is also planned to switch the electric current supply from D.C. to 60 cycle A.C. The new generating station is nearly ready and is expected to be operating by the latter part of this year.

Lack of adequate shipping facilities is a problem. British Honduras is not yet a port of call for the new B.W.I. shipping service. Shipping lines have in the past attempted a service between Belize and eastern Canadian ports but were unsuccessful because insufficient cargo was offered and unloading expenses were high. Cargo ships must anchor offshore, and lighters are used. Shipments from Canada at present must move by rail to New York, Galveston or New Orleans and thence by ship, or be shipped from eastern Canadian ports to Kingston, Jamaica, where they are trans-shipped to a smaller vessel plying between Kingston and Belize. Any of these routes is fairly expensive and for years there have been complaints of serious pilferage during trans-shipment in Kingston. Small, light shipments of high value may be sent direct from Canada by parcel post.

TRINIDAD

Lifting of certain import restrictions gave fillip to Canadian trade with island in 1954; purchases from Canada went up by nearly $4 million. This rise expected to continue under 1955 conditions.

P. V. McLANE, *Trade Commissioner, Port-of-Spain.*

THE YEAR 1954 in Trinidad was marked by several interesting developments. Outstanding politically was the long discussion about approval of the plan for a British West Indies Federation. Highlight of the trading year was the placing of additional products on World Open General Licence. Several new industries began operations as the year progressed.

The proposals for the BWI Federation, drawn up in London, were accepted conditionally by the Trinidad Legislature on December 11, 1954, after an all-night sitting. The main condition imposed was the holding of a conference on immigration; another was that the selection of a federal capital be left to the Federal Government, if and when it is formed. The long debate brought out the anxiety of the East Indians over their future in the West Indian Federation. The hope has been expressed that federation may come about in two or three years.

Exports and Imports

The year also brought the colony a favourable trade balance of BWI$12,433,771;* imports totalled $249,787,521 and exports $262,221,292. Crude petroleum and petroleum products, which have been the principal exports of the colony for several years, topped the list again with a total of $193·2 million. Sugar and cocoa came next with totals of $28·5 million and $15·1 million respectively.

Oil was also the chief import, accounting for $65·3 million worth of the goods brought into the island; foodstuffs were not far behind with $45 million. The sterling area, with the United Kingdom figuring prominently, was the principal source of imports and the principal destination of exports.

In 1954 the United Kingdom sold BWI$94,607,700 worth of goods to Trinidad and bought $103,339,500 worth. Venezuela was next in importance with sales of $62,449,100 (mainly oil for refining) but purchased much less, only $12,720,200 worth. Canada shipped goods worth $23,050,400 and bought from Trinidad commodities to a value of $15,562,900. The United States' share was $21,430,300 and $12,562,900 respectively.

Import Restrictions Eased

The enlarging of the list of products on World Open General Licence during 1954 gave a fillip to Canadian trade with Trinidad. It also made it possible to issue additional allocations under the British West Indies Trade Liberalization Plan. Our exports, at $23,050,400 in 1954, were up $3,961,700 from the previous year.

* One BWI dollar=approx. $0·5628 Canadian.

Lumber and wood products have been added to the commodities on World Open General Licence for 1955 and in addition the Trinidad Government has announced that increased dollar expenditures will be permitted for consumer goods, equipment and materials required by local industries. A restricted number of licences will also be issued for motor cars from hard currency countries.

Industrial Development

The traditional export industries in which Trinidad has natural advantages have made substantial and significant progress. Unless new discoveries are made, the oil industry may now be at its peak. Drilling for offshore oil wells has begun and if successful, will be of tremendous value to the colony. New or secondary industries are finding it more difficult to make progress in the face of the vigorous competition developing in West Indian markets. As an aid to industry, a new government Department of Industry and Commerce has been set up; it will also be responsible for developing the tourist trade.

Among the new industries launched in 1954 were a dry ice plant and a cement plant and plans are being made to set up a factory to make paving materials, roofing shingles and so forth. Plans are also afoot to produce bacon, canned hams, and sausages. A new shipping company was formed in Trinidad to carry on an intercolonial service and it has started operations with one ship.

The year 1955 promises to be a satisfactory one and the financial situation should remain healthy. Exports have exceeded imports during 1954 and while there has been some hardening of import prices, the general trend has been downward. The average value of exports, however, has been well maintained on the whole but the price movements, which have been in Trinidad's favour, are subject to world market pressures and cannot be controlled locally. There will be efforts, therefore, to secure marketing arrangements like those existing for sugar, and increasing pressure on the United Kingdom to accept responsibility for buying West Indian products and giving them a secure British market.

LEEWARD AND WINDWARD ISLANDS

THE LEEWARD ISLANDS—Antigua, St. Christopher-Nevis, Anguilla, Montserrat and the Virgin Islands—have been federated under one Governor since the Leeward Islands Act of 1811. Now the federation is to be abolished. St. Christopher-Nevis and Anguilla will form a new unit to be governed by an officer responsible directly to the Secretary of State for the Colonies; Montserrat and the Virgin Islands are expected to remain with Antigua, which is the site of the present federal capital.

The Windward group comprises the islands of Grenada, St. Lucia, St. Vincent and Dominica whose large population and lack of resources and industry limit their economic expansion. The Leeward and Windward groups are in favour of joining in the proposed British West Indies Federation.

Trade with Canada

Foodstuffs and essential consumer goods make up the bulk of the islands' trade. Canadian products are still selling here, in spite of our high exchange rate; for the 12 months of 1954, imports amounted to Can.$3,-931,286, a very slight increase over 1953 when the value was Can.$3,863,808. The principal commodities Canada sold to the islands in 1954 were potatoes, onions, fish products, wheat flour, cornmeal, textiles and miscellaneous goods.

Canadian purchases from the islands during the eleven month period ending November 30, 1954, totalled Can.$1,220,393, compared with Can.$1,204,642 in the same period of 1953. Sugar, at Can.$989,663, made up the bulk of the trade; we also bought small amounts of lime juice, nutmeg and mace, and arrowroot.

Weather is the determining factor in the health of the islands' economy, which is entirely agricultural. Antigua depends basically on sugar, plus sea island cotton and a developing livestock industry; St. Kitts usually has a good sugar crop and also grows sea island cotton. Grenada, the spice island, produces mainly nutmeg and mace, but it also grows cocoa and is interested in banana cultivation. On St. Lucia sugar is the top income earner; cocoa and coconut products too are commercially important. St. Vincent's most important export is arrowroot, followed by peanuts, copra and sea island cotton. Dominica is an important producer of limes and bananas, cocoa and copra.

P. V. McLANE,
Trade Commissioner, Port of Spain.

BARBADOS

Important sugar crop was above average last year; molasses sales to Canada rose with bulk shipments. Trade is in fair balance; plans for motorizing fishing fleet under way; tourist trade good.

P. V. McLANE, *Trade Commissioner, Port of Spain.*

SUGAR is the only important crop in Barbados and the island depends financially on its production and on the world prices for it. Growing conditions in July and August last year were poor because of the lack of rain but the situation was saved by the Government's new irrigation scheme. Under this scheme, pipe and other facilities may be rented and used where needed. Rain came later in the year and, with the irrigation, an above-average crop of some 178 thousand long tons of sugar was harvested. It has an assured market but the fixed price is lower than last year.

The import and export trade of Barbados is fairly well balanced. Imports during the first six months of 1954 were valued at BWI$23,643,700, compared with BWI $21,252,500 for the same period in 1953. The value of domestic exports during the six months was BWI$24,676,100, compared with BWI$20,340,100 in 1953. The principal buyers and suppliers were the United Kingdom and Canada, in that order; the United States ranked third as a supplier. The value of the United Kingdom imports was BWI$17,517,100 (BWI$16,103,300 in 1953), and of its sales BWI$9,-781,000 (BWI$8,655,600 in 1953). United States' sales had a total value of BWI$1,486,300 (BWI$1,556,600 in 1953).

Trade with Canada

Canadian sales to Barbados last year were made up of dried, salted, smoked and cooked meats; fish products; wheat flour; animal foods; tobacco leaf; lumber; cotton and rayon piece goods, and miscellaneous manufactured goods. Our largest purchases from the Island consisted of raw sugar and molasses; other produce included rum, sugar candy confectionery, and pickled and preserved fruits and nuts. DBS figures on Canada's trade with Barbados show that exports for twelve months of 1954 reached a value of $4,378,004 (1953, $3,734,158) and imports for eleven months of 1954 a value of $5,188,225 (1953, $2,145,389). Canadian products are popular with the island people and sales should rise if exchange controls are eased.

Canada bought an estimated four million gallons of molasses from Barbados in 1954; imports at the end of November totalled 3·4 million gallons, compared with 2·8 million for the same period of 1953. We also bought small amounts of choice and vacuum-pan molasses. Sales of molasses to Canada were on the down-grade for some years and late in 1953 Barbados sent a delegation to Canada to investigate the causes. It reported that shipments should go in bulk rather than puncheons; this would permit more attractive packaging in Canada and should result in lower prices. This recommendation was put into effect and the introduction of bulk shipments has resulted in more competitive prices and larger sales.

Other Developments

Fisheries—About 600 boats are engaged in the fishing industry, but at the beginning of 1954 only 17 were motor-driven. However, money has been voted to help finance gradual conversion of the fishing fleet to motor power. The Government will pay part of the cost of the engines. The pickling of flying fish has been investigated and it is believed that production and marketing can be expanded considerably. There is still the problem of refrigeration, which at present is inadequate for preserving surplus stocks.

Industry—Industry in Barbados is on a small scale, with little scope for development. However, since the passing of the Pioneer Industries Act in 1951 ten industries have been granted pioneer status. These include the manufacture of footwear, confectionery and nut products, building materials, ready-made garments, neon products, bacon, ham and other forms of smoked meat, cotton yarn, and canned fish and other fish products.

Tourism—Tourist revenue is important to the economy and the Barbados Tourist (Development) Association has recently been formed to promote this traffic. Hotels and residential clubs do a good business during the winter months; the season started earlier in 1954 and was expected to be a good one.

Deep Water Harbour—Approval in principle has been obtained from the Secretary of State for the Colonies for the projected deep water harbour for Barbados. The number and size of loading berths has not yet been finally decided. This is an important project because it will facilitate the bulk handling of sugar.

Federation—The Barbados House of Assembly has ratified the proposals of the London Conference of 1953 for a BWI Federation and has suggested that a West Indian Conference be held on the thorny issue of freedom of movement. ●

BRITISH GUIANA

Sugar crop was slightly smaller in 1954, rice crop was a record one, and external trade increased in value. Canada bought more from the Colony in '54 but our sales to it decreased slightly.

P. V. McLANE, *Trade Commissioner, Port of Spain.*

CONFIDENCE IS RETURNING to the business community in British Guiana after the political disturbances of the past three years. However, the Colony has many economic problems and regional development committees have been set up in every part of the country to stimulate interest in development. New industries are being encouraged and many schemes to provide better agricultural facilities and to improve housing and roads are being considered. Towards the end of December 1954, the British Guiana Legislative Council passed a bill which provides a special fund to finance the development program. On the recommendation of the World Bank Mission it is proposed to spend BWI$66 million over a period of five years.

British Guiana is not prepared to join the proposed British West Indies Federation because the Colony believes that it has a bright continental future. Whether this belief is correct remains to be seen.

Sugar and Rice

In 1954 British Guiana produced 238,922 tons of sugar, some 1,254 tons less than in 1953. Exports of sugar to Canada were higher—BWI$13,132,461 for the first ten months of 1954 compared with BWI$9,929,186 for the same period of 1953—and this was very welcome business for the Colony.

An extremely wet season made it difficult to dry the padi and a considerable quantity of rice was lost. Nevertheless, a 71,000-ton record harvest was expected; the last record yield was 67,700 tons in 1953. The crop is marketed by the British Guiana Rice Marketing Board which exported some 29,375 tons, mainly to West Indian markets, during the first ten months of 1954.

Canada and Bauxite

Canada plays an important part in the economy of British Guiana—the Demerara Bauxite Company in the Colony is controlled by the Aluminum Company of Canada. During the first ten months of 1954 Canada bought BWI$14,866,571 worth of bauxite, a little less than in the same period of 1953. The company's main operation is at Mackenzie, a newly established district. A recent survey by the company showed its contribution to the Colony's economy in 1953 to be: government revenue, BWI$4,853,087; employee payrolls, BWI$4,127,270; social amenities, BWI$690,705; local purchases BWI$3,023,307; miscellaneous services, BWI$2,999,533, and circulating cash, BWI$15,-693,903. The company also increased its working capital in 1953.

Exports and Imports

Both British Guiana's exports and imports increased in value in the first ten months of 1954, although the trade balance was still unfavourable. Exports were valued at BWI$71,181,635 and imports, at BWI$67,-666,540, were some 14 per cent above those in ten months of 1953. The principal commodities sold abroad in the ten-month period were: sugar, BWI$34,-464,354; bauxite, BWI$19,753,562; rice, BWI$7,-370,858, and rum, BWI$2,044,007. Imports covered a wide range of foodstuffs and consumer goods. Canada, the United Kingdom and the United States, in that order, were the leading customers; the United Kingdom was the chief supplier, followed by the United States and Canada.

Trade with Canada

Canada's sales to British Guiana in the calendar year 1954 had a total value of Can.$4,079,876, compared with Can.$4,777,076 in 1953. We held our own in most lines during the year but lost out badly to the United States in flour sales after flour was decontrolled in August. Competition from Australian flour also may be expected in the near future. The more important commodities figuring in our exports to British Guiana last year were wheat flour, fish products, split peas, potatoes, machinery and parts, cotton fabrics, and pickled pork.

Bauxite was, of course, Canada's principal import from British Guiana in 1954, followed by raw sugar, rum and molasses. Imports for the first eleven months were valued at Can.$19,463,145, compared with Can.$16,457,488 in 1953.

It does not appear likely that the local authorities will relax controls on dollar spending for imports. However, Canada should be able to maintain its export trade with the Colony at the same level, with the exception of flour. ●

Import Controls in the Sterling Area

In recent years, quantitative restrictions imposed by sterling area countries have been extensively relaxed. In particular, the degree of discrimination against dollar goods has been considerably reduced. But though Canadians can now trade with most countries of the Commonwealth on a much freer basis than previously, certain restrictions still remain in force. These are outlined in the following pages.

STERLING AREA SECTION, *International Trade Relations Branch.*

The United Kingdom

Imports into the United Kingdom are controlled by a licensing system which classifies imported products into three categories:

World Open General Licence—These specified products may be imported without restriction from any country. Major items of interest to Canada at present under W.O.G.L. include nickel, platinum, asbestos, iron ore and scrap.

Open Individual Licence—These specified products may be imported freely from any source by authorized firms. Major items of interest to Canada at present under O.I.L. include softwood, lead, zinc, copper, wheat, wheat flour, coarse grains, vegetable oilseeds and their products, and peas.

Individual Licence—For products not specified on either of the foregoing lists, the importer must obtain a licence for each transaction covering imports from the dollar area. Major Canadian products in this category include newsprint, wood pulp, aluminum, tobacco and canned salmon. A Token Import Scheme is in effect under which a limited number of traditional Canadian products enter under quota, based on the average of exports in 1936-1938.

In 1954, some 11 per cent by value of Canadian exports to the United Kingdom consisted of W.O.G.L. items and some 54 per cent of O.I.L. items—a total of 65 per cent of Canadian exports which were not subject to restriction or discrimination. In addition, a number of products which are subject to individual licensing are admitted without discrimination as to source. The principal products in this category of interest to Canada are newsprint, wood pulp and aluminum. These three products account for a further 21 per cent of 1954 exports. Thus a total of 14 per cent of 1954 exports remained subject to discriminatory import licensing.

Government purchasing is now limited to four commodities: bacon and ham, sugar, ware potatoes and certain jute manufactures.

South Africa

Since Jan. 1, 1954, there has been no discrimination against dollar goods. In addition, South Africa's officially-announced policy is to eliminate import controls as rapidly as economic conditions permit.

For the purposes of control, South African imports are grouped into several broad classes:

- *Raw materials*—Raw materials are imported under quota. The preliminary quota for 1955 is 90 per cent of the value of total permits issued to importers in 1954. Applications for additional quotas from manufacturers are being liberally treated, so as to maintain production at the level of demand for South African products.

- *Consumer goods*—These are also imported under quota. The preliminary quota for 1955 was originally set at 33⅓ per cent of the value of imports in 1948, but this has been increased since to 53⅓ per cent. In 1954, the quota for consumer goods was 45 per cent of their 1948 imports.

- *Capital goods*—The import of industrial machinery in 1955 is on a more liberal basis than in 1954. The needs of manufacturers who require plant for modernization, replacement and labour-saving will be considered with a view to enabling them to meet foreign competition.

- *Motor vehicles*—Motor vehicle assembly plants have been given increased quotas for components and parts in 1955.

- *Agricultural machinery, including tractors*—The preliminary quota for 1955, which was set at 60 per cent of imports by value in 1954, has been increased since to 90 per cent.

In addition to the above-noted groupings, the South African control system incorporates three lists of specially designated goods:

The free list—Goods not subject to import licence. Items here include mainly low-cost textile yarns. Commodities such as needles and slide fasteners are of interest to Canada.

The restricted list—Items here include mainly jute, hides, coarse grains, and consumer goods of a non-essential nature. These products may be imported by a firm having a valid permit for consumer goods. Such an importer, however, must surrender the right to import £2 or £3 (depending on the commodity) of ordinary consumer goods for each £1 of restricted products imported. The restricted list has been significantly reduced in 1955.

The priorities list—Items here include mainly consumer goods which are, or may be, in short supply in South Africa. The procedure is the reverse of that applied for items on the restricted list. Importers may bring in £2 of priority items by surrendering the right to import £1 of general purpose consumer goods.

Federation of Rhodesia and Nyasaland

A number of products, although subject to licence, may be imported into the Federation without restriction from all countries. Among the goods in this category of interest to Canada are: milk products, canned fish, outboard motors, pressure lamps, abrasives, chemicals, fertilizers, plastics, newsprint, lumber, watches and clocks. Other products may be imported from the dollar area under broad quotas for various classes of goods. Among the products in these groups are: wheat, agricultural machinery, commercial vehicles, office equipment, and imports for the mining companies. All other imports are subject to individual licences.

Australia

All goods which are imported into Australia from dollar countries are subject to individual licensing. The criterion applied by the import control authorities is that goods supplied from hard currency sources must be of a kind essential to the operation of the Australian economy, adequate supplies of which are not available in soft currency countries.

A quarterly budget system is in use for imports from the dollar area. In general, for essential raw materials, import licences are granted for goods of dollar origin in cases where such goods are offered on significantly better price or delivery terms than those available from soft currency sources. Last year Australia began to admit a limited number of traditional consumer items from the dollar area under quota, the most important of which was canned salmon.

Canadian exports to Australia of tobacco, canned salmon, synthetic fibre thread and yarn, lumber, newsprint, tractors, needles, calculating machines, aluminum, copper, asbestos, synthetic resins, and polystyrene increased in 1954, reflecting more liberal Australian licensing of imports of these items as compared with 1953.

New Zealand

Dollar goods imported into New Zealand fall into three main categories for the purpose of control: items exempt from licensing altogether, items subject to individual licensing, and items for which dollar quotas are allocated.

The first category consists of a "free" list of items subject neither to restriction nor discrimination. Products of interest to Canada here include canned fish, patent leathers, belting, lumber, nails and tacks, adding and computing machines, engines for vehicles or tractors, aircraft and parts, crawler tractors, miscellaneous spare parts for motor vehicles, calcium carbide, and other products.

All dollar goods not on the free list are subject to indivdual licensing. Discrimination against dollar imports is modified, however, by the application to such imports of two administrative criteria. In the case of goods which are freely imported from the sterling area, it is understood that import licences will be granted for competing dollar goods where a reasonably substantial advantage can be shown in price, quality, design, or delivery dates. New Zealand has also adopted a more liberal attitude towards applications for licences to import essential plant, equipment and industrial raw materials from the dollar area in 1955, especially when similar advantages can be shown.

For a limited number of items, New Zealand has provided currency allocations for imports from dollar countries, and Canadian firms can compete freely within such quotas. Main items of interest to Canada in this respect have included wooden handles, sausage casings, plywood, motor vehicles and certain service parts for motor vehicles.

India

Goods imported into India from dollar countries are admitted under Open General Licence, under quota, or individual import permits. The goods under Open General Licence are principally basic raw materials or other essential goods such as zinc, nickel, copper, other specified non-ferrous metals, various parts for diesel engines, a variety of drugs and medicines, some paper products, refractories, films, specified chemicals, electrical instruments and laboratory-ware. Among the products subject to quota when imported from the dollar area are specified iron and steel products, aluminum,

precision tools, outboard motors, pumps, machinery, hardware, typewriters and a wide variety of other products. Provisions have been made this year for additional imports from the dollar area of a number of products, including consumer goods.

Pakistan

In the licensing period January-June, 1955, a wide variety of products are being permitted import under quota from the dollar area. Among the products of interest to Canada in this group are asbestos manufactures, chemicals, pressure lamps, needles, alcoholic beverages, newsprint and other paper, films, cheese, milk products, unmanufactured tobacco and lumber. Other products are subject to individual import licences. Licences are issued on a c. and f. basis in Pakistan, making it mandatory that insurance be covered in that country.

Ceylon

A number of essential basic products, such as foodstuffs, raw materials, machinery and goods for further processing may be imported into Ceylon from the dollar area without restriction. All other goods are subject to individual licence.

Malaya

All imports from the dollar area are subject to individual licensing. A few products such as fresh apples, canned fish, hand tools, condensed milk and wheat flour are licensed freely. Special arrangements have been made for imports of other products and in some cases quotas have been established.

Other British Colonies

Most products are subject to individual licences when imported from dollar countries. The general criterion is that dollar goods must be essential and unavailable in non-dollar areas before a licence is granted. There is at present a ceiling for annual dollar expenditures by each colony, including the British West Indies and Malaya, within which the colonial government is free to license the products it chooses. Not more than 7½ per cent of the quota may be used to purchase motor vehicles in the dollar area. This procedure became effective on January 1, 1955, and before that date the colonies were limited in the products which could be imported from the dollar area. The new system should enable each colony to choose a wider variety of imports and to make fuller use of its dollar allocation.

British West Indies

The licensing system for dollar imports in the British West Indies falls into three parts: products under World Open General Licence which may be imported freely from all sources, products under the British West Indies Trade Liberalization Plan, and products subject to individual licence.

Products under World Open General Licence of interest to Canada include onions, potatoes, split peas, fish except fresh or frozen, meat, cheese, kraft paper, powdered milk, canned milk, animal feedingstuffs. Lumber is under World Open General Licence in all of the colonies except British Honduras, Bahamas and some of the Leeward and Windward Islands.

The British West Indies Trade Liberalization Plan is designed to maintain a market for traditional Canadian exports to these colonies. Canadian exporters of products listed under the Plan are entitled to apply for allocations of dollars on the basis of their exports to the area in the years 1946-48. Such allocations are used only for the purpose of obtaining an import licence, and do not guarantee orders. Provision is made periodically for the granting of special allocations under certain circumstances.

Imports of products other than those under World Open General Licence or the British West Indies Trade Liberalization Plan are subject to individual licensing.

Further information on import controls in the sterling area may be obtained from the International Trade Relations Branch, Department of Trade and Commerce, Ottawa.

Tonka Beans from Trinidad

Trinidad is the only area in the West Indies where the tonka bean, about the size of a lemon and yellowish-brown, is grown in commercial quantities. The fruit is allowed to ripen and fall, then is dried and the nut crushed to get the kernel. The harvest is carried out from April to October and November. A tonka tree produces one good crop every three years, so that production as well as marketing is irregular. In 1951 and 1952 the crop was over 20,000 pounds, but in 1953 it exceeded 400 thousand pounds. Sales are made to tobacco manufacturers. Exports of domestic tonka beans were valued at BWI$542,116 in 1953 (414,982 lb.), compared with BWI$12,983 in 1952 (22,438 lb.) and BWI$23,648 in 1951 (20,962 lb.). The United States was the principal buyer, taking BWI$504,986 worth. Other buyers were the United Kingdom, $21,800; Australia, $13,709 and Canada, $1,522.

commodity notes

Australia

SULPHATE OF AMMONIA—The Electrolytic Zinc Co. of Australasia Ltd., expects its new ammonium sulphate plant at Risdon, Tasmania, to be ready for operation early in 1955, but electric power will not be available until the middle of the year. The power when first supplied will be below the rate contracted for, and may continue so for some time. The plant cannot operate at capacity until full power is available but when it is, the plant will supply half of current Australian consumption.

The company produced 104,714 tons of sulphuric acid, 14 per cent of Australia's output, in the year ended June 30th. It roasted 212,353 tons of zinc concentrate for 186,509 tons of calcine. A fourth flash roaster and a third new contact sulphuric acid unit will be built at Risdon to increase total acid-making capacity to 172 thousand tons a year. This will represent maximum use of the sulphuric content of the zinc concentrate.

The new plants will replace those operated in South Australia on behalf of the Electrolytic Zinc Co. The one at Port Pirie has already been closed—Melbourne, Feb. 25.

Federation of Rhodesia and Nyasaland

COPPER—Bancroft, the Copperbelt's newest mine, is scheduled to begin production in 1957 with a planned output of 42,800 long tons but capacity has already been stepped up with the intention of producing 85,600 tons of copper a year by 1960. This doubling of capacity has involved increasing the initial capital cost of £12 million by a further £5 million—Johannesburg, Feb. 20.

TOBACCO—British buyers are committed to the purchase of 2,250 long tons of tobacco from Northern Rhodesia during the combined crop years 1955 and 1956. Two-thirds of the leaf will be supplied from tobacco lands in the northwestern portion of the province—Johannesburg, Feb. 17.

COAL RESERVES—Shale coal recently discovered in the Northern Province of Nyasaland may be made available to towns in Southern Nyasaland. This should help the collieries at Wankie, which are experiencing difficulty in meeting the needs of the Federation—Johannesburg, Feb. 12.

India

COFFEE—The Indian coffee industry made a three-fold record during the fiscal year 1953-54—production, consumption and exports were all at the highest recorded level. Production went up to 29,400 tons and consumption approached 21,000 tons, which is 2,593 tons over the previous record of 1952-53. Export of 10,650 tons nearly doubled those of the previous best year, 1945-46. The latest estimate of the 1954-55 season's crop is 24,200 tons—New Delhi, Feb. 14.

RUBBER—The Government of India has agreed to the replanting of rubber estates where trees have become too old. According to the scheme, which requires a large capital outlay, about 75,000 acres of land will be replanted with good-variety rubber saplings, so that in 15 years the country may produce enough rubber to meet domestic requirements. India's 200 thousand acre rubber crop now produces nearly 20,000 of the 25,000 tons required each year —New Delhi, Feb. 14.

NEW FERTILIZER PLANTS—The Government of India is reported to have approved a scheme for the establishment of four or more fertilizer plants within the next seven years, at an estimated cost of approximately Rs.800 million. An advisory development council was constituted recently to select sites for the factories, decide on the types of fertilizers to be manufactured, and work out the economics of production. Nitrogen fertilizer needs are expected to increase to 150 thousand tons in 1956-57, 240 thousand tons in 1958-59, and 370 thousand tons in 1960-61. Present production is 110 thousand tons. It is expected that one of the factories will be located

in the Punjab, to use the surplus energy of the newly-completed Bhakra-Nangal hydro-electric scheme—New Delhi, Feb. 14.

CHEMICALS—A plant with a daily capacity of eight tons of sulphur dioxide, two tons of hydrogen peroxide, five to seven tons of sodium hydrosulphite, and three tons of other photographic and textile chemicals is to be established in the Bombay area with the collaboration of an Italian firm. The total investment in this project is said to be in the neighbourhood of $1 million—Bombay, Feb. 19.

Union of South Africa

OSTRICH HIDE—After a long period of relative inactivity, ostrich farming is attracting renewed interest. This is not because of any expansion in the demand for feathers, but of a noticeable increase in the number of uses to which the pelts are being put. However, the number of birds has dropped to a mere 5 per cent of the 780 thousand in existence 40 years ago, so until breeding activities are considerably expanded the supply of leather will be restricted. Demand for the tanned hide is said to be strong in Britain and the United States where its strength, light weight and attractive appearance make it highly valued. Shoes, handbags and other articles made from this leather are enjoying a ready sale—Cape Town, Feb. 21.

ROCK LOBSTER—Unfavourable weather conditions have considerably hampered work in the South African rock lobster fisheries. There is a shortage of frozen tails and canners are having difficulty in meeting their commitments. Prices are unchanged at high levels—Cape Town, Feb. 21.

CITRUS—The South African Citrus Exchange has announced that it expects 1954 citrus exports to reach the record total of 6¼ million cases. At the end of September, 5,206,529 cases had been exported, 707,343 cases more than for the same period last year—Cape Town, Feb. 21.

SHOES—Boot and shoe production in South Africa has increased rapidly in recent years and now stands at 20 million pairs a year. This expansion in the manufacture of footwear has affected imports, which have dwindled from 7,461,000 pairs in 1931 to 849 thousand last year. Canadian manufacturers wishing to re-enter this market when restrictions on shoe imports are relaxed will find competition from domestic manufacture very keen. The finish of the shoes made locally could be improved but the prices charged seldom exceed $11.00 per pair—Johannesburg, Feb. 21.

United Kingdom

SHIPS—The output of the Clyde shipyards during 1954 was the highest since the war, totalling 85 ships of 477,204 gross tons, valued at £48 million. At the beginning of the year, the yards had 1·6 million tons of shipping in the stocks and in order books, and for the first time since the war fewer tankers were built than passenger liners and cargo ships. The completed orders included two passenger liners, 22 cargo ships and 21 tankers and ore carriers.

Orders for new tonnage show a marked decline, partly because of foreign competition and partly because many shipowners have completed rebuilding programs to replace their war losses. The smaller yards are particularly affected by the decline. However, in several cases plant was expanded and modernized during the year, and the Clyde started 1955 with about 1,170,000 gross tons in hand, the equivalent of about two years' work—London, Feb. 25.

CHEMICALS—British output of chemicals, which has been rising at about twice the average rate for manufacturing in the United Kingdom, is likely to show a further increase of more than 10 per cent in 1955. Since 1948, the British chemical industry's production has increased by about 65 per cent, though its labour force has risen by only 18 per cent. This record has been achieved mainly by very heavy capital expenditure. Over £450 million has been invested since the end of the war in the chemical trade (excluding oil refineries) and the current rate of investment is about £75 million annually—London, March 8.

BEER—Beer output in 1954, at 23·8 million bulk barrels, was at its lowest since the 22·4 million barrels produced in 1936. Compared with 1953, the decline amounted to 1,117,796 barrels, the sharpest drop since 1949. The United Kingdom Brewers' Society has attributed last year's decline to the high taxes on beer, coupled with the cold wet summer of 1954—London, March 8.

STEEL—The United Kingdom Iron and Steel Board has issued a report giving details of the expansion program for the industry which will raise steel production from 18·5 million ingot tons in 1954 to 22 million tons in 1958.

The cost of these development projects will exceed £300 million in the five-year period between 1953 and 1958. Special emphasis is being placed on steel-finishing capacity. It is expected that by 1958 production of tinplate will be 85 per cent higher and sheet 50 per cent higher than in 1953—London, Feb. 25.

trade and tariff regulations

Austria

DUTY ON LIGHT TRUCKS LOWERED—Effective January 1st, the Austrian import duty on trucks weighing up to 3,300 pounds was reduced to 20 per cent ad valorem. The former weight duty was almost twice as high on the average—Berne, March 1.

British Guiana

MARKING REGULATIONS—The Comptroller of Customs and Excise, British Guiana, advises that shirts, underwear and nightwear are prohibited from import unless each garment bears a cloth label securely sewn on stating the country of manufacture, or unless such label is affixed at the time of import. The Order imposing this restriction became effective January 1st.

Denmark

MANY DOLLAR IMPORTS LIBERALIZED—Effective February 23rd, the Danish Government freed from quantitative restrictions a considerable number of products if they are imported from dollar countries, including Canada. Import licences are no longer required for liberalized dollar imports.

The commodities that have been freed include various products of interest to Canada. It is not expected, however, that the present Danish import liberalization will alter very extensively the pattern and volume of Danish imports from dollar countries. Import licences have been issued readily in the past for some of these goods. Moreover, some important Canadian export products, including wheat, coarse grains, base metals and crude asbestos, remain subject to Danish import licensing requirements. The liberalization is, however, of direct assistance to exporters and importers in removing uncertainties and paperwork on many commodities. The present move may be regarded as a test by the Danish Government in putting liberalization into practice, and the list may be expanded later as experience warrants.

Goods which are still subject to import licensing control may be admitted into Denmark subject to a decision of the Danish import control authorities on each application.

The commodities of principal interest to Canada which are now exempt from import licensing requirements fall into the following categories: synthetic rubber; planks and boards; newsprint paper; oils from fish and marine animals; unmanufactured tobacco; salted codfish and herring; clover and grass seeds; flower seeds; hops; chemical fertilizers except superphosphates; methyl, butyl and propyl alcohol; iron ore; ores of non-ferrous metals; silver, crude and semi-manufactured; wool and wool waste; animal hair and bristles.

Railway sleepers; flooring of beech and oak; woodpulp; fire brick; sulphur in pyrites; natural abrasives; whetstones and grindstones, natural and artificial; various chemicals; artificial resins; colouring materials including acetylene and carbon blacks.

Asbestos yarn; fishing nets; various kinds of paper and cardboard; telephone and telegraph apparatus and equipment; certain industrial machinery; agricultural machinery excluding ploughs, harrows and tractors; sewing machines and parts; sparkplugs; various hand tools and power tools; aircraft engines and parts; optical glasses and frames; medical apparatus and instruments; needles; pharmaceutical products not put up for retail sale—Feb. 25.

C. F. WILSON,
Commercial Counsellor, Copenhagen.

Detailed information regarding specific items may be obtained from the International Trade Relations Branch of the Department.

Finland

CUSTOMS DUTIES RAISED—According to a decision of the Finnish Parliament, made on December 21, 1954, the specific customs duties were raised at the beginning of 1955 to fifteen times from ten times their prewar level (a 50 per cent increase over 1954 duties). Not affected are ad valorem duties, specific duties bound under the GATT and other agreements, the principal fiscal duties and the duties on certain industrial raw materials and consumer goods. The rise is estimated to increase customs revenue by some 10 per cent—Stockholm, Feb. 25.

Detailed information as to the exceptions from the general increase will shortly be available in the Department.

Greece

ADVANCE DEPOSIT ON IMPORTS—It was reported on page 33 of the March 5th issue of *Foreign Trade* that new Greek regulations require an advance deposit for all imports except those under letters of credit. The existing freedom from quantitative restrictions for all imports, apart from wheat, flour and certain types of machinery, will not be affected by the new regulations.

Detailed information on this measure is now available. Effective February 16th, importers wishing to import commodities against shipping documents (sight or time drafts) must make a deposit with a Greek commercial bank when they apply for import approval. For most goods (category "F") the deposit amounts to 15 per cent of the drachma equivalent of the invoice value for which import approval is requested. For certain less essential goods (category "F1") the deposit amounts to 50 per cent of the invoice value. For some staple foodstuffs (category "F2") and certain essential goods admitted against time settlement payment (category "P") a deposit is not required, but the importer must give a bank guarantee of 3 per cent of their value.

The deposit or guarantee will be refunded at the time of final payment. However, if the goods are not imported while the import approval is valid (generally four months with certain exceptions) an amount will be automatically forfeited to the State equal to 5 per cent of the value of the imports for category "F" items and 10 per cent for category "F1" items. If goods subject to the 3 per cent bank guarantee are not imported during validity of the relevant import approval, the full guarantee will be forfeited. If an import approval has been used partially during its period of validity, only a proportion of the deposit or guarantee corresponding to the unused part shall be forfeited. Similar provisions as to forfeiture also apply to instances where final settlement for goods arrived in Greece is not made promptly within prescribed time limits.

Category "F1" of goods subject to a 50 per cent cash deposit includes prepared and preserved meats; canned sardines and lobsters; tobacco and tobacco products; whisky; leather shoes and gloves; staves and small planks for barrels and flooring; domestic washing machines; refrigerators; electric ranges; articles and utensils of non-ferrous metals; radio receiving sets; various textiles; passenger automobiles and fountain pens.

Among premium imports for which a 3 per cent guarantee is required, Canadian exporters appear to have an interest in salted cod; cereals, cereal flour; flaxseed; raw hides; automobile tires and tubes; lumber; wood pulp; sheets and bars of iron; special steel; agricultural and industrial machinery and parts; unwrought aluminum, copper and nickel; thin aluminum sheets; wire, metal rope and cables; fire brick; chemicals and drugs excluding pharmaceutical specialties; dyes and paints; synthetic rubber and unmanufactured plastic materials.

Import approvals for imports against shipping documents issued before February 16 must be revalidated. For those issued after February 1, importers are required to give the necessary deposit or guarantee on the new scale before March 3. Import approvals issued up to February 1 may also be renewed, before March 3, by the importer depositing a bank guarantee ranging from 3 per cent for category "F2" and "P" items to 30 per cent for category "F1" items—Athens, Feb. 18.

New Zealand

RATES OF DUTY ON VENEERS—The New Zealand Board of Trade proposes to inquire into the question of what rates of duty should be imposed on veneers. The present rate of duty applicable to veneers is 20 per cent ad valorem under the British preferential tariff (applicable to Canada) and 35 per cent ad valorem under the most-favoured-nation tariff (applicable to most-favoured-nation countries including the United States).

Interested Canadian firms may wish to have their views on this investigation placed before the New Zealand Board of Trade, the government body investigating tariff changes. The most effective method of doing so is for Canadian firms to request their representatives in New Zealand to act on their behalf before the Board. Evidence should be submitted before April 5, 1955.

DUTY ON LUMBER SUSPENDED—A New Zealand Customs Suspension Order of February 15, 1955, provides for the continuation of the suspension of customs duties on imported coniferous undressed lumber, including Douglas fir, until Dec. 31, 1955.

Imports of lumber from all sources have been exempt from import licensing requirements since the end of 1953.

Norway

LICENSED IMPORTS REDUCED—The Norwegian Ministry of Trade and Commerce has announced that, in order to reduce the country's present import

surplus, licensed imports during the current year will be reduced by N.Kr.180 million. While an extra 10 per cent tax has temporarily been imposed on ships of 2,500 tons and over now contracted for; on new buildings, except dwelling houses and certain other types, and on all imported motor vehicles and tractors, the number of new motor vehicles permitted imports from western countries is reduced by 50 per cent to 2,500 vehicles. Fresh fruit imports are to be reduced from N.Kr.104 million to N.Kr.75 million and dried fruit from N.Kr.31·7 million to N.Kr.19·1 million—Oslo, Feb. 25.

PROVISION FOR LEVYING ANTI-DUMPING DUTY—A Norwegian resolution, effective since December 1954, establishes the framework within which anti-dumping duties may be imposed by regulations issued by the Norwegian Customs Department. The anti-dumping duty must not exceed the amount corresponding to the dumping margin, and may only be levied if the dumping causes, or is liable to cause, essential detriment to Norwegian industrial activity, or if it materially delays the establishment of such activity. The resolution also provides for the levying of an equalization duty on goods which are granted a premium or subsidy in the exporting country—Oslo, Feb. 15.

South Africa

REPRESENTATIONS RESPECTING THE TARIFF —It was announced on February 18th that the South African Board of Trade and Industries had received the following representations respecting the tariff:

Increase of duty on:

1. Dextrine and starch adhesives, from 5 per cent to 20 per cent ad valorem.
2. Facial tissues, from 10 per cent to 40 per cent ad valorem.
3. Metal heel tips for boots and shoes, from free of duty to 40 per cent ad valorem.
4. (*a*) Printing, ruling and lithographic ink and silkscreen process ink, from duty free to 25 per cent ad valorem or 3½d. per lb., whichever is the greater; and

   (*b*) duplicating ink, from 20 per cent to 25 per cent ad valorem.
5. Tooth powders, tooth pastes and tooth washes, from 15 per cent to 30 per cent ad valorem.
6. The following, from free (minimum rate) and 1s. per 100 lb. (intermediate rate) to respectively 20 per cent ad valorem and 20 per cent plus 1s. per 100 lb.:

   (*a*) gas list steel tubes up to 6½ inches o.d., both welded and weldless quality;

   (*b*) steel boiler tubes up to 6½ inches o.d., both welded and weldless; and

   (*c*) tubular steel pipe fittings.
7. Necklaces of artificial pearls, from 20 per cent ad valorem to 2d. per inch or 55 per cent ad valorem, whichever is the greater.

Bringing into operation of the suspended duty on:

1. Unbleached wood pulp, to the extent of the whole suspended duty.

The suspended duty, if brought into effect, would be additional to any existing duties.

Interested Canadian firms may wish to have their views on these tariff inquiries placed before the Board of Trade and Industries. The most effective method of doing so is to request their representatives in South Africa to act on their behalf before the Board. Since these matters are normally taken under review soon after the announcements are made, it is advisable to take action as soon as possible.

United Kingdom

LARD ADMITTED UNDER OPEN INDIVIDUAL LICENCE—Notice No. 714, issued by the Board of Trade on February 23rd, notifies importers in the United Kingdom that imports of lard will be permitted under Open Individual Licence from all sources outside the sterling area (imports from which are under General Licence). These Open Individual Licences, for which application must be made by individual traders, will be valid to December 31, 1955.

The notice reminds traders that imports of lard are subject to the provisions of the Public Health Imported Food Regulations 1937-48.

Data for Exporters

The International Trade Relations Branch of the Department of Trade and Commerce has prepared bulletins covering shipping documents and customs regulations of the following countries: Austria, Belgium, Belgian Congo, Bolivia, Brazil, Chile, Colombia, Cuba, Denmark, Dominican Republic, Egypt, Finland, France, Western Germany, Greece, Guatemala, Haiti, Iceland, Indonesia, Israel, Italy, Mexico, Netherlands, Netherlands Antilles, Nicaragua, Norway, Panama, Peru, Surinam (Netherlands Guiana), Sweden, Switzerland, United States and Venezuela.

If you wish copies, write to the Branch. Data on other countries will be compiled from time to time and will be added to this list.

The following nominal quotations may prove useful in checking prices. Canadian traders should consult their banks before making any firm commitments.

Conversions into Canadian dollars have been made at cross rates with sterling or the United States dollar on the date shown.

Except when buying and selling rates are specified, the mid rates only are quoted. The buying rate is that at which banks purchase exchange from exporters. The selling rate is that at which banks sell exchange to importers.

When several rates are indicated, the rate applicable depends on the commodity traded. Information on the rate for any specific commodity may be obtained from the International Trade Relations Branch, Department of Trade and Commerce, Ottawa.

Rates used exclusively in non-merchandise trading are *not* included in the table.

For conversion to United States dollar equivalents multiply by 1·01330.

foreign exchange rates

Country	Unit	Type of Exchange	Canadian dollar equiv. March 4	Notes (See below)
Argentina	Peso	Preferential buying	·1316	
		Basic buying	·1974	
		Preferential selling	·1974	(1)
		Basic selling	·1316	
		Free	·07104	
Austria	Schilling		·03796	
Australia	Pound		2·2030	
Belgium Luxembourg & Belgian Dependencies	Franc		·01964	
Bolivia	Boliviano	Official	·00519	
British West Indies	Dollar		·5737	(3)
	Pound		2·7538	(4)
	Dollar	Brit. Honduras	·6884	
Brazil	Cruzeiro	Effective selling:		
		Category I	·01511*	tax 10%
		Category II	·00362*	* (2)
		Official buying	·05375	Feb. 15 (5)
Burma	Kyat		·2072	
Ceylon	Rupee		·2065	
Chile	Peso	Official	·00493	(1)
Colombia	Peso	Basic	·3948	
Costa Rica	Colon	Official	·1758	(6)
		Controlled free	·1486	
Cuba	Peso		·9869	tax 2%
Czechoslovakia	Koruna		·1371	
Denmark	Krone		·1429	
Dominican Republic	Peso		·9869	
Ecuador	Sucre	Official	·06579	
		Free	·05704	
Egypt	Pound		2·8339	
Fiji	Pound		2·4809	
Finland	Markka		·00429	
France	Franc		·00282	(7)
French Africa	Franc		·00564	(8)
French Pacific	Franc		·01551	(9)
Germany	D Mark		·2349	
Greece	Drachma		·03289	
Guatemala	Quetzal		·9869	
Haiti	Gourde		·1974	
Honduras	Lempira		·4934	
Hong Kong	Dollar	Free	·1659	*Feb. 14
Iceland	Krona	Official	·06060	
		Special buying	·04666	
		Special selling	·03759	
India	Rupee		·2065	
Indonesia	Rupiah	Basic	·08657	(10)
Iran	Rial	Certificate	·01185	
Iraq	Dinar		2·7633	

* Latest available quotation date.

Country	Unit	Type of Exchange	Canadian dollar equiv. March 4	Notes (See below)
Ireland	Pound		2·7538	
Israel	Pound		·5483	
Italy	Lira		·00158	
Japan	Yen		·00274	
Lebanon	Pound	Free	·3037	
Mexico	Peso		·07895	
Netherlands	Guilder		·2595	
Netherlands Antilles	Guilder		·5229	
New Zealand	Pound		2·7538	
Nicaragua	Cordoba	Effective buying	·1495	(11)
		Official selling	·1400	
		With Surcharge I	·1226	
		With Surcharge II	·09820	
Norway	Krone		·1382	
Pakistan	Rupee		·2983	
Panama	Balboa		·9869	
Paraguay	Guarani	Basic	·04699	(1)
		With Surcharge I	·03655	(12)
		With Surcharge II	·02741	
Peru	Sol	Certificate	·05194	
Philippines	Peso		·4934	tax 17% (2)
Portugal	Escudo		·03444	(13)
El Salvador	Colon		·3948	
Singapore & Malaya	Straits dollar		·3213	
South Africa (Union of)	Pound		2·7538	
Spain & Dependencies	Peseta	Basic buying	·04506	
		Basic selling	·08796	
		Basic commercial selling	·06008	(1)
		Free	·02534	
Sweden	Krona		·1908	
Switzerland	Franc		·2302	
Syria	Pound	Free	·2697	*Jan. 14
Thailand	Baht	Official	·07895	(1)
		Free	·04622	*Dec. 24
Turkey	Lira		·3525	
United Kingdom	Pound		2·7538	
United States	Dollar		·9869	
Uruguay	Peso	Official	·6497	
		Basic buying	·5544	
		Special buying	·4199	(1)
		Basic selling	·5194	
		Special selling	·4028	
Venezuela	Bolivar		·2946	(14)
Yugoslavia	Dinar		·00329	

* Latest available quotation date.

notes

1. Additional rates are in effect for specified goods.
2. Tax affects selling (import) rates only; certain essential imports exempt.
3. Barbados, Trinidad, Tobago, Leeward and Windward Is., Brit. Guiana.
4. Bahamas, Bermuda, Jamaica.
5. Brazil: Currency certificates auctioned for five import categories. Effective selling rate is official plus price of certificates. In addition to official rate Brazilian exporters receive exchange premiums ranging from 18.70 to 31.70 cruzeiros per U.S. dollar depending on product.
6. Costa Rica: Official rate applies to all Costa Rican exports.
7. Metropolitan France, Algeria, Tunisia, Morocco, French Guiana, Guadeloupe, Martinique.
8. Equatorial Africa, West Africa, Cameroons, Togoland, Somaliland, Madagascar, Reunion, St. Pierre and Miquelon.
9. New Caledonia, New Hebrides, Oceania.
10. Indonesia: Basic rate applies to all exports and essential imports. Rupiah value for other than essential imports is reduced by 33⅓ per cent, 100 per cent or 200 per cent depending on product.
11. Nicaragua: Effective buying rate applies to all Nicaraguan exports.
12. Paraguay: Basic rate applies to most Paraguayan exports.
13. Approximately same rate for currencies of Portuguese Territories in Africa.
14. Venezuela: There are provisions for special rates for exports of petroleum, cocoa and coffee, not at present in effect for cocoa and coffee.

Britain Raises the Bank Rate

Recent increase in the bank rate and stiffening of instalment purchase terms represent attempt by United Kingdom authorities to decrease domestic demand, cut imports, and increase supplies of goods for export.

R. P. BOWER, *Commercial Counsellor, London.*

ON THE MORNING OF FEBRUARY 24th the Bank of England announced that the bank rate in the United Kingdom would be raised by 1 per cent to 4½ per cent. This change came on top of a ½ per cent increase announced on January 27, 1955, and placed the rate at the highest level in 23 years. On February 24th also Mr. Butler, the Chancellor of the Exchequer, announced the re-imposition of restrictions on instalment sales. A minimum deposit of 15 per cent and a maximum time of two years for payment for most items and of four years for a few was decreed. Why was this done, and what is expected to result?

Conditions in the United Kingdom were good in 1954, as the article on page 4 shows. A number of disturbing tendencies were evident, however, which if unchecked might be serious; it was to correct these that the recently announced steps were taken. The record production levels of 1954 required record raw material imports. These were not matched by a corresponding increase in exports and they could only be paid for by drawing on the reserves—a remedy which could not be applied indefinitely.

Cutting Domestic Demand

The trade figures for January illustrate the trend. In January 1954, imports exceeded exports by £49 million. In January 1955, the excess was £64·4 million. Largely as a result of this trade picture, the sterling area's gold and dollar reserves rose by only £1 million compared with £25 million in January 1954. The two steps that have been taken are expected to retard home demand, reduce the need for imports, and at the same time make larger supplies available for export. Output of consumer durable goods doubled between 1948 and 1954 and that of manufacturing as a whole rose by one-third. Some remarkable increases occurred in 1954 over 1953. In that period the sales of motor cars and floor polishers increased by a third, radios by 50 per cent, domestic refrigerators and vacuum cleaners by 60 per cent, electric stoves by 75 per cent, washing machines by 85 per cent, and gas water heaters by 154 per cent.

Because the number of new cars sold under instalment contracts was 108 per cent larger in the last six months of 1954 than in the same period of 1953, and as similar increases occurred in other fields, it is expected that stiffening of the terms of these contracts will retard sales.

In 1954, the terms of trade moved strongly against the United Kingdom. At first the trend was gradual but the rate accelerated as the year wore on. The cost of imports in 1954 as a whole rose by only 1·1 per cent over 1953, yet it rose by 5 per cent in the last quarter, by 11·3 per cent in December and by 17·9 per cent in January 1955 over January 1954. Both prices and volume contributed to this. In January 1955, for example, the cost of the United Kingdom's import requirements of animal feeds rose by 145 per cent over January 1954, wood manufactures by 75 per cent, cereals by 58 per cent, rubber by 57 per cent, paper and board by 50 per cent, pulp by 46 per cent, and non-ferrous metals by 45 per cent. To pay these increased costs the United Kingdom must export more. In January 1954, the United Kingdom could pay for a ton of Canadian copper by exporting 15 radios. Today, 23 radios must be exported to do the same thing. The cost of the goods which the United Kingdom must buy has risen by more than the cost of those things she has to sell, and as long as this trend continues, there will be need to emphasize exports and minimize imports.

Effect of Increase

Changing the bank rate has been a traditional means of bringing trade balances into better equilibrium. Coupled with tighter credit restrictions, this measure will tend to curb inflationary forces in the United Kingdom, thus cutting the demand for certain imports by lowering domestic consumption. At the same time, lower domestic prices should increase the competitive position of British goods in world markets.

It is difficult to estimate precisely what effect the new measure will have on imports from Canada. As a rule, a deflationary measure has much less effect on imports of essentials than on those of non-essentials. The bulk of Canadian exports to Britain are, of course, essentials. It is therefore unlikely that there will be any basic changes in Canada's trade with the United Kingdom as a result of this action. ●